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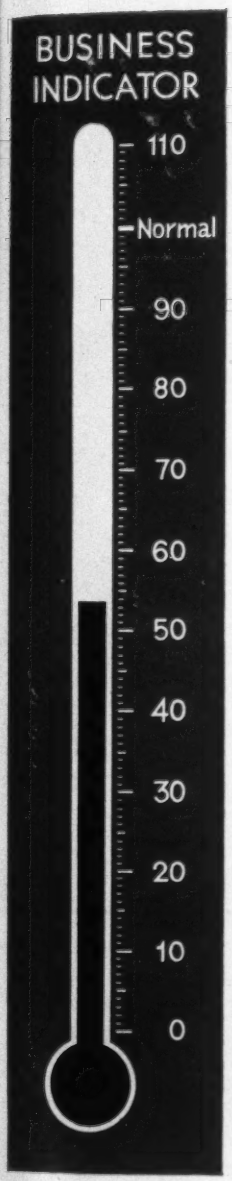
THE BUSINESS WEEK

NOV 16, 1932



The course of trade indicators as well as commodity and financial markets during the fortnight before election emphasized the formidable problems that would still face the business community after the event, regardless of its outcome. . . . Because it was pointed backward to controversies of the past instead of forward to the policies and tasks of the future, the campaign has delayed both private and public action on these problems; and the apathetic response of security markets to the result suggests that further delay is likely and that nothing basic in the situation has been essentially altered by the election. . . . Prospects of closer cooperation between the executive and Congress are encouraging but not of paramount importance. . . . While it would appear that business has settled at a bare subsistence level, the strong internal stimulus necessary to recovery is so far lacking, nor is anything in sight that seems likely to stir the static economic picture. . . . Industrial and trade activity show little more than the usual seasonal changes. . . . Extreme easy money has not yet led to any effective credit expansion either for speculative or business purposes. . . . The capital market continues exclusively preoccupied with government financing, and constructive investment is almost at a standstill. . . . Commodity prices, now back at the depression lows of this spring, seem to be stabilizing around these bankruptcy levels. . . . As one by one its alibis, political and otherwise, have expired, business is being brought more bluntly face to face with the tasks of readjustment to the basic realities of its situation.

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President,
Illuminating Engineering Society

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Mr. Daniels' statement continues:

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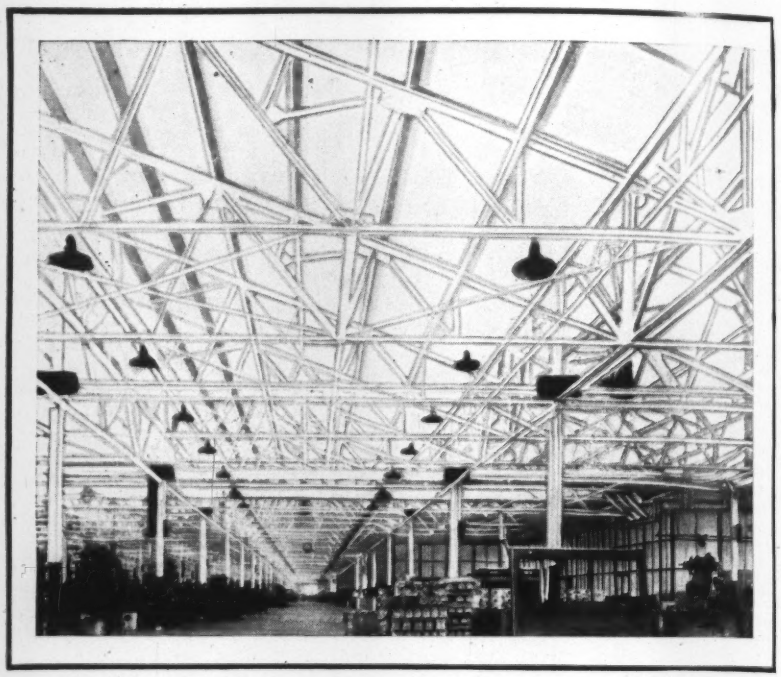

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Barreled Sunlight

Reg. U. S. Pat. Off.

Remains White...
Reflects Light...LONGEST

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THE BUSINESS WEEK

NOVEMBER 16, 1932

No Hasty Tariff Bill

Business men need worry very little about any general tariff overhauling for a long time, in spite of all the campaign oratory.

WASHINGTON—Congress will not get around to making a new tariff bill in 1933, and probably not in 1934, no matter what pledges have been made on the stump—and there have been plenty of them.

There are several reasons for this:

(1) Democratic critics of the present tariff are most indefinite about which schedules they want revised. It is one thing to criticize the tariff in general and quite another to get down to specific clauses. Every Congressman has his pet home industry.

(2) Strong minorities of Democrats are committed to tariffs on oil, copper, sugar, lumber. These minorities will combine in logrolling when the time comes for action.

(3) Roosevelt's own plan as leader of the Democratic party is to negotiate reciprocity treaties first. This would take a long time and would involve a Senate fight on ratification of the treaties before the rates could be changed.

(4) Tariff experts think the difficulties in the way of these proposed reciprocity agreements are very great. Agreement upon articles or commodities on which American duties could be lowered in order to gain consent of foreign countries to reduce certain duties against our exports would involve delicate considerations. The fact that a two-thirds vote in the Senate would be necessary for ratification would have to be borne in mind by the negotiators all the time.

All this sounds like at least a year's delay before any tariff change could be effected by treaty negotiation, and manufacturers with good friends in the Senate could count on a longer delay. Filibusters are still possible in the upper house.

There are other factors which make for delay. The Congress elected Nov. 8 does not meet until a year from next month, unless called in special session. The lame duck Congress will do no wholesale tariff tinkering. If the new Congress meets in special session, it will have plenty else to do. If there were no other work, the special interests pledged to tariffs on coal, oil, lumber, and copper would see to it that work was invented.

Prohibition is one subject that is apt to take up a lot of time in nearby sessions. Neither repeal nor modification is as simple as it sounds. There will be interminable debate.

Granting that repeal should go forward with the greatest possible speed—which is granting a good deal—there would be a considerable period of delay and of course enthusiastic wets will try to pass some sort of legislation to lower the bars while waiting for constitutional repeal.

Interesting, whether important or not, in this connection is an ingenious argument which is going around Washington. Some lawyer has figured out that Congress could pass a substitute for the Volstead Act making it illegal to manufacture, transport, or possess liquor of more than 20% alcoholic content. How test the constitutionality of such a law? If liquors contained less than 20% alcohol, they would violate no statute and nobody could be arrested. And, of course, since the Supreme Court has upheld the constitutionality of the Volstead Act, which bars anything over ½% alcoholic, Congress certainly can bar liquors more than 20% alcoholic. There probably is a hole in this, but nobody yet has pointed it out.

In any event this is the kind of debate that can indefinitely postpone tariff revision in 1933, and probably 1934.

Business Pays for Its Money

Despite the piling up of excess bank reserves in the principal cities, interest rates on loans for business purposes remain high. Only money for federal financing and security trading is really cheap.

THE accumulation of idle money in the main financial centers in recent months is constantly emphasized as an indication of strengthening of the banking situation, which it undoubtedly is, and as a forerunner of improvement in business, which it may or may not be.

Idle money is never really idle, of course. Bank reserves are always employed in loans or investments of some sort. From the point of view of the speed of business recovery the important thing is the kind of employment they are willing to take and the wage they demand for their services.

Interest rates are not the sole factor which determines the uses of loanable funds or bank credit; psychological considerations of security and business confidence affecting both willingness to lend and desire to borrow are often equally important. But the price of money is a factor in its use at all times, even though bankers are accustomed to insist that money is the only thing the consumption of which is not increased by lowering its price.

No one can say how much idle money there is in this country today, in the sense of investment funds or bank credit that is not being drawn into business uses either because it is unwilling to take a chance or wants too high wages. But the amount, sources, and distribution of some of it can be guessed at from Federal Reserve figures showing the excess reserves, or reserves above legal requirements, kept by member banks against their deposits.

These excess reserves for all member banks increased from a low point of $35.4 millions in January this year to about $277 millions in May, largely as a result of the open-market purchases of government securities by the Reserve Banks beginning at the outset of March. At the end of July they were a little over $200 millions, and during August, September, and October further additions brought the total of these surplus bank reserves to around $450 millions, where they still are.

The sources of the increase in excess reserves during the past 3 months, as

traced by the Federal Reserve Bank of New York, are rather interesting. Gold imports and releases of earmarked gold provided $297 millions; increases of new Treasury currency, chiefly new National bank notes issued against bonds given the circulation privilege in the last Congress, added $134 millions; and currency returned from circulation with the decline of hoarding added $106 millions, making a total increase of funds by the member banks amounting to $537 millions. Of this amount $203 millions were used to repay borrowings at Federal Reserve Banks and $90 millions were required as reserve against increased deposits, leaving a net addition of $244 millions to the excess reserves of member banks.

Of the $450 millions of excess reserves of all member banks it is probable that $250 millions are in the New York City member banks, $150 millions in member banks in other Reserve cities, and not more than $50 millions in the country banks. The excess reserves of country banks show much less change over this whole period than those of city banks. In fact during the months of credit strain this year they have fluctuated only from about $24 millions in March to $38 millions in July, while excess of the city banks ranged from a low point of $6.3 millions in January to about $235 millions in August and around $400 millions at the present time.

As is indicated in another article in this issue (page 16), these additions to resources of member banks, together with an increasing part of their previous resources, have been used to finance the federal government through purchases of new government securities issues. The demand for such securities as a safe short-term investment for idle bank resources has been so great that the average yield on notes, certificates and bills with 3 months maturity or less had fallen to zero at the end of October as compared with yields of 1.48% for December maturities and 2.32% for March maturities at the end of October a year ago. In some instances, the premium paid by dealers for short-term securities about to be refunded has been so great, because of the desire to secure large allotments of new issues, that yields have fallen as much as 10% below zero.

Similar pressure of idle funds for employment in short-term liquid uses has brought drastic reductions in call and time money rates, rates on bankers' acceptances and prime commercial paper in New York and to a smaller extent in a few other large cities. The rate on call loans fixed by the Stock Exchange and the clearing house banks in New York at the end of October was 1%, as contrasted with 2½% a year before, while 90-day money under these auspices had fallen from 3½–4% to ½–¾%. But even these rates were nominal, since little or no money was borrowed for security trading through these channels. Plenty of it has been available outside the Exchange at ½% on call or 90-day loans.

The Federal Reserve Bank's buying rate for bankers' acceptances has declined from 3⅛% a year ago to 1% now, but the latter figure is far above the market, with dealers' rates ranging between ½% and ¾% for 90 days and hardly any bills available. The volume of banker's acceptances outstanding rose a little in September, but still remains less than half as great as it was a year ago.

The same is true of prime commercial paper in New York. Rates have fallen from 3¾–4¼% a year ago to 1½–1¾% currently, but there is only a little less than $118 millions of commercial paper outstanding.

All these rates are at or near record low levels for even the New York market, but the picture changes sharply when one looks at prevailing bank rates for regular commercial lines of credit to customers both within and outside New York.

Weighted averages of 3 types of customers' loans—commercial loans and demand and time loans on securities, computed by the Federal Reserve Board, taking account of the relative importance of the 3 types and the size of the reporting banks, shows that in New York City in September the prevailing rate was 4.30%. This is below the average for January of this year (4.71%), but above the 3.93% average for September a year ago and even slightly above the rate during September, 1930. In 8 other Northern and Eastern cities the rate in September (5.03%) was only slightly below that at the beginning of the year and compared with 4.48% in September, 1931, and 4.74% in September, 1930. In 27 Southern and Western cities the September rate of 5.63% was above that at the beginning of the year and higher than in 1931 and 1930.

Even in some of the Reserve bank or branch cities outside New York the customers' commercial loan rates run higher than these averages, which include call loans on securities, would indicate. Thus in the Cleveland district loans on prime commercial paper in September ran at 5%–6%, in Atlanta from 4½% to 8%, and in almost all cases the rates prevailing in September were above those a year ago. These averages in many cases present the situation in the most favorable light. Even where rates on customer's loans are nominally within this range, borrowers are required as a condition of the loan to keep such a large proportion of it on deposit that the actual rate for the funds used runs to several times the nominal rate.

"NOT SO BAD"—Sir Arthur Salter, British economist, visits the United States to discuss recovery, finds conditions here better than expected.

Power Precedent

Supreme Court decision on Clarion River emboldens Power Commission to assert broad authority over holding companies.

CLARION RIVER POWER CO. is a small outfit, as public utilities go, but it bids fair to become as famous as the St. Louis & O'Fallon Railroad—which wasn't so big, either. For the Federal Power Commission has made of Clarion River a test case, and apparently has won points which give its regulatory authority a sweep and scope hitherto unsuspected.

Shorn of legal terminology, the commission has won its contention that it is the guardian of the investor, and that the commission has authority to examine and regulate the financial structure of a holding company if even the smallest subsidiary of the holding company is a federal licensee.

Clarion River Power Co. and Pennsylvania Electric Co. are both part of Associated Gas & Electric, H. C. Hopson's hard-fighting group which has contested federal authority every step of the way. Clarion River filed with the commission a statement that its Piney Point plant cost $11 millions. The commission's accounting department figured the total cost at $4 millions.

Summoned for hearing, the company went to the courts. The Supreme Court

s just decided that the commission s the power to determine the "actual gitimate investment" and to require mpanies to make their books conform its orders.

Clarion was sold at foreclosure to e Pennsylvania Electric Co. Now the mmission has ordered the purchaser return to Clarion River Co. the property and rights it acquired. The commission disputes the good faith of the sale. The commission asserts it is acting in the interests of investors in $4½ millions of Clarion preferred stock. The commission thinks the transfer from one subsidiary to another was a maneuver intended to wipe out that equity.

Labor Salesmen

Electrical workers give part of their wages to hire salesmen to find jobs for them.

ELECTRICAL contractors in Cleveland n hire union workmen for $1.05 an ur on modernization work as against .37½ on new construction. And on intenance and repair work, the new le is 75¢ an hour. These bare facts re interesting enough to attract notice en they were announced (*BW*—26'32). Even more interesting are e details of the new wage agreement.

For the union is going much further an merely to offer bargain rates in e hope they will encourage modernation of old buildings and plants. It becoming a partner in management. To be eligible for benefits of the new le, the employing contractor must gn an agreement that he will employ ot less than one full-time salesman, n engineer, to solicit modernization bs. He is to make daily reports of s calls, open to union inspection.

Clair C. Killen, alert and brisk union leader, is author of the plan. "What we are really doing in this form of employer-labor relations," he says, "is dropping our scale in order that we encourage electrical development. We are paying for market development. We hope the rest of the industry can and will tune in. We can't do the whole job alone, but are willing to do more than our share in these times."

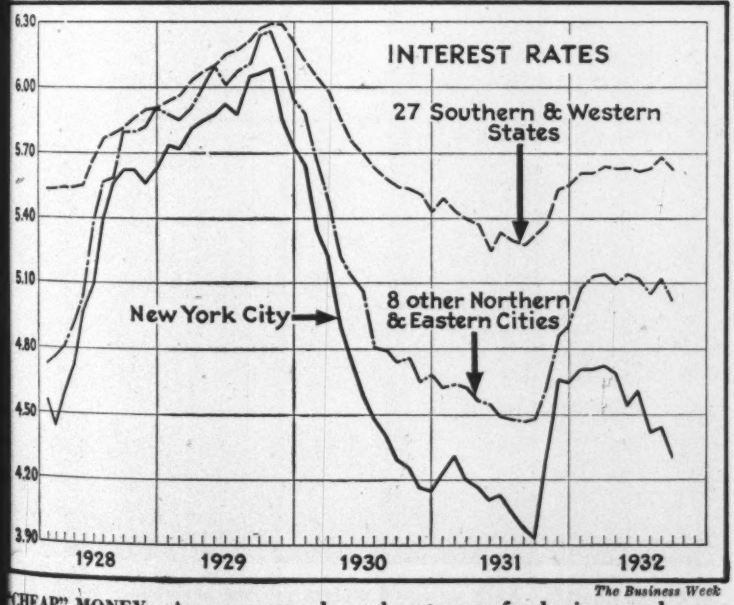
Detroit, Milwaukee, and New York have the same plan under consideration and there is every indication more cities will adopt it. Since it was part of the union's hope that the idea would spread, the Cleveland contract is a document carefully drawn up to serve as a model. There are well-thought-out efforts to distinguish between new work and modernization work. In general, these provisions are liberal. Modernization work calling for the lower scale is, roughly, any job that does not involve "major structural alterations"—but in industrial plants special apparatus and appliances may be installed at the lower rate even if it involves structural alterations.

If, after 90 days' effort, the contractor is not able to employ the equivalent of one man 8 hours a day continuously on modernization work, he loses the benefit of the new scale.

Interesting also is the setting up of an arbitration board to administer the new agreement and make such changes in it as will meet new conditions as they arise.

Clair C. Killen, at 37, already has lived a lot. He was a Canadian air pilot in the War. He had been a deck engineer on ocean freighters, and a hard rock miner in Montana and Arizona. He served his apprenticeship, got his journeyman card, and became a contractor in Detroit. Then he was drawn into union work through his interest in employer-labor relations. He had a battle with E. L. Cord over a Los Angeles wage scale that has become a tradition. Meantime, he has become a member of the Society of Industrial Engineers, writes learned studies of cost and of management methods.

Of the philosophy behind the Cleveland agreement, he further remarked, "What our members want is adequate weekly earnings. We aren't so much interested in the scale as in the product of scale multiplied by number of hours per week. We believe our contribution will develop more jobs. And certainly it is often good economics to modernize present apartments, homes, office buildings, and industrial plants rather than depreciate their value by constructing new ones alongside them."



The Business Week

"CHEAP" MONEY—**Average rates charged customers for business and security loans have fallen most in New York, but remain above last year in all sections of the country in spite of surplus bank reserves.**

New Homes Wiring

Seven electrical associations unite to set up standards of wiring adequacy and economy.

WIRING in the majority of homes, and even in new residential buildings, is far below the best modern practice, fails to take advantage of knowledge, equipment, and materials available nowadays. It is, frequently, not a matter of cost; it is a matter of poor planning, a lack of generally accepted standards.

Now 7 associations in the electrical industry, including the powerful National Electric Light Association and the National Electric Manufacturers Association, have sponsored a national set of standards, which the International Association of Electrical Inspectors has endorsed.

The standards do not deal with installation materials or methods; they concern themselves with adequacy and layout, number of outlets, their nature and control, proper wire sizes, etc. Economy is kept in mind throughout,

partly by keeping down the number of branch circuits, partly by forestalling or making less expensive any major additions or alterations the householder might desire later on.

Meter Nuisance

When their meter-readers can't get in, utilities wait for their money. One has a better scheme.

UTILITY and customer alike are annoyed when meters aren't read. The utility doesn't get that month's check; the customer gets a bigger bill than he likes the next time the reader comes around.

Public Service Co. of Northern Illinois is trying an experiment, with permission of the state commission; when the meter-reader cannot get in, the customer gets a bill based on his average month's consumption. A notice reads:

"Payment of this bill is not obligatory, but an arrangement for your convenience. If paid, the amount will be credited to your account. When a reading of your meter is obtained, your account will be adjusted upon the basis of actual consumption."

After a test period, the company is to report results to the commission.

"Chicago Plan" Illegal

Federal Trade Commission tells machine tool trade that swapping price information on bids for used machines suppresses competition.

ONE of the oldest practices in the machine tool trade, as in many others, is to jockey opposing bids for old machines to be turned in as part of the purchase price on new machines. Sometimes the buyer whipsaws the would-be sellers with tales, not necessarily true, of what the other fellow offers him on a trade-in. Sometimes the seller makes a ruinously high offer to spoil somebody else's sale—and doesn't stand by it in the end.

In 1928, the machine tool distributors of Chicago developed a plan that has become celebrated. They agreed to register with a central agency every bid made for a "turn-in." The amount of this bid, but not necessarily the name of the bidder, was made available to every member upon inquiry. Furthermore, it was a firm bid; the bidder was obliged to make good on it even if he did not succeed in making the sale of a new machine. That is, another member could meet the bid, make the sale of the new machine, and force the first bidder to take the used machine off his hands, for cash. The plan of course completely eliminated reliance on used machine bids as a sales factor.

The agreement was effective in part of 6 states—the northern halves of Indiana and Illinois, all of Iowa, the eastern half of Wisconsin, the western half of Michigan, the eastern part of Nebraska.

The Federal Trade Commission now finds the plan was "for the purpose and object of eliminating competitive bidding by its members, and to limit the amounts allowed by them for used machinery." So, in an order dated Nov. 7, the members are instructed to cease and desist.

Members of Machine Tool Distributors, which operated the plan, did 85% of the business in their territory and, under the plan, 1,000 transactions have taken place involving used machinery to the value of $250,000.

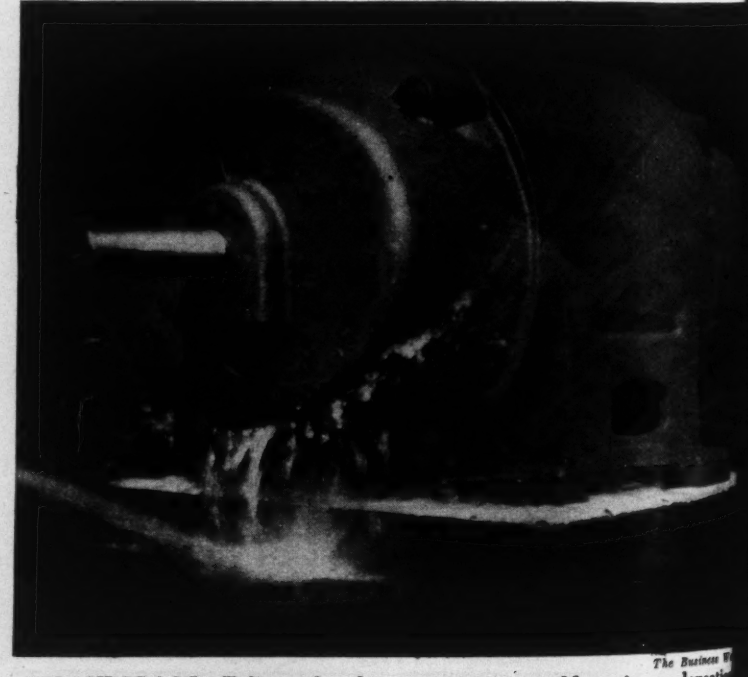
The amount involved thus is not impressive, but the industry is dismayed at the wreck of the plan, looks moodily toward the return of the old abuses.

Homes Census

We are still a nation of 1-family homes — and the depression is keeping us so.

THE first survey on types of American homes, results of which have now been released by the U. S. Census Bureau, reveals that over 90% of the 25 million dwellings in the United States in 193[illegible] were 1-family homes; only 2.6% were built for 3 or more families. In rural districts—as might be expected—the proportion of single-family structures rose as high as 97.3%; in urban centers the average was 84.3%. Against a total of 22,833,110 1-family homes in the country there were only 643,779 multiple-family dwellings accommodating some 3.6 million families, or 12.1% of all our families.

In the count of single-family dwellings Pennsylvania ranked first with 1,852,481. Ohio, California, New York, Texas, and Illinois followed in that order, each with over 1 million apiece. The 1,728,087 2-family homes counted represented 6.9% of all our homes, provided for 11.6% of all our families. New York state had the largest number 275,924, with Illinois, Massachusetts, Pennsylvania, and Ohio ranking next in that order, each repor[illegible]



The Business W

SPLASH PROOF—Fully enclosed motors present problems in condensation; open motors operating in wet locations must have bulky covers; the new Louis Allis motor has elliptical air passages in its endbells which permit adequate ventilation yet keep out water squirted from any angle.

g between 107,000 and 163,000 uses of this type.

New York state had the most ultiple-family dwellings — 159,916, epresenting 9.2% of its homes, but ousing 41.3% of its families (49.3% those in its urban areas). It had % of all such houses in the country. inois came second on this list with ,229. Massachusetts third with ,897, New Jersey fourth with 40,717. verage per house was 8 families in ew York, 5 in Illinois and New Jersey, in Massachusetts, 5.6 for the country a whole. The census now excludes om this classification the institutions d hotels formerly counted in.

Figures on annual accretions to hous- facilities, compiled by the U. S. Bureau of Labor Statistics, show interesting shifts in trend. Of the families going into new houses built in 1921 and 1928, 58.3% established themselves in 1-family dwellings in the former year, only 35.2% in the latter; 24.4% turned to multiple-family structures in '21, and 53.7% in '28. Since 1928, with all building off, and speculative apartment building practically at a standstill, there has been a sharp change. The figures show that 40.2% of the families going into new homes went into 1-family dwellings in 1929, 45.7% in 1930, 49.2% in 1931, 71% (indicated) in 1932; that 48.5% went into multiple-family houses in 1929, 42.2% in 1930, 39.3% in 1931, 17% (indicated) in 1932.

eal Estate Inventory

o city knows all about its real property; Cleveland pro- oses to find out and expects its model census will serve guide to investors, builders, public improvements.

OWTH of American cities is for the st part blind growth. Few have en attempted city planning. Even ere there are city plans, they give adequate guidance to investors, ilders, industrialists, business men o have to act on their best blind sses of a neighborhood's present ds and future trend.

Fundamentally, the trouble is that no knows much about itself. How ny one-family houses are there? w many are vacant? Where are ? How many apartments are ant? How many are run down? at changes are taking place in ulation distribution geographically? nationality? By income class? No can give the answers to these stions, or a score more just as im- tant.

Encouraged by the National Con- nce on Construction, assisted by the l banks, the Federal Reserve bank, postmaster, the county auditor, the veland Health Survey, and other ncies, the city of Cleveland has dertaken a complete inventory of its l estate. H. W. Green, president the Cleveland chapter of the Ameri- Statistical Association, will direct job. Once complete to the listing the last small garage, this census will kept up to date as a perpetual ntory.

The interest of the Conference on nstruction arises from the hope that Cleveland demonstration will stimu- other cities to undertake similar dies.

The uses of such an inventory can easily be visualized. The prospective builder or lender will know, for example, that in a certain U. S. Census tract—the unit of survey—the percentage of doubling up in apartment houses is abnormally high; the character of the population is shifting; factories are coming in. The value of this information in deciding what type of structure to erect is obvious. The city engineering department may well decide that in this district the growing volume of manufacture will call for larger water mains, and heavier pavement for big trucks. The size and kind of school building to serve the neighborhood can be decided more wisely. Sanitary services, police and fire protection, can be organized on a basis of knowledge of needs, not of general impression.

Completeness of the survey is indicated by the main headings of information to be gathered:

Existing property—All properties to be counted and classified as to type and condition.

Occupancy-vacancy—The post office will count vacancies twice a year. Furniture movers will supplement the post office count.

Doubling-up—To be reported by the post office as an important indication of social and economic conditions, and a guide as to latent demand for housing.

Construction—All details of new construction and major alterations and demolitions to be promptly recorded.

Lots Plotted—Location and degree of subdividing activity listed.

Deeds—Activity of the market, location of activity, to be indicated by deeds and transfers.

Mortgages—Tabulated as to amounts, sources of money, type and location of properties mortgaged.

Foreclosures—Valuable index of stability of ownership and of economic conditions.

Population Movements—Record of moves and shifts of population and business, a guide to changing character of neighborhoods, and a control check upon vacancy information.

Velvet Vogue

Its importance depends on whether the milliners take it up.

VELVET, gentlest of fabrics, is boldly challenging leather in a bid for new uses. New York stores are displaying gloves of transparent velvet for evening wear. Paris reports a vogue for velvet handbags and even shoes. They come in many colors, can be dyed to harmonize with gowns or wraps. The trend follows the popularity of transparent velvet for costumes. This material has a rayon pile which is even more lustrous than silk.

Textile men say such novelties are interesting rather than significant. What velvet makers are hoping for is a return of velvet millinery. They figure the pendulum is about due to swing back from felt.

Paris designers are experimenting with a new British velvet with a cotton pile. Corduroy usually has a cotton pile; this fabric has enjoyed a fad in Europe that it failed to repeat over here. Stylists say American manufacturers overlooked an opportunity to popularize the corduroy suit for men, although corduroy sports trousers sold well this year.

Prune Drive

If advertising can do it we'll all be full of prunes.

FORTIFIED by the assurance of millions from the Federal Farm Board and the Intermediate Credit Bank, the United Prune Growers of California have squared away at the problem of glorifying their famous product. Of primary importance is the consumer campaign which is to extend over 3 years. Enthusiasts believe that by the end of that period prunes will have completely overcome the unjust, boarding-house stigma. They hope to see the day when to say that a person is full of prunes will be to offer a compliment.

Advertising effort will follow two lines: (1) The health and dietetic virtues of the fruit will be emphasized; (2) new dishes and by-products will be developed. National magazines, espe-

cially women's, are favored for advertising, but media may be included to broaden farm consumption. The farmer eats three prunes to every one entering an urban digestive system. In preparation of the coming drive, a survey was made which included rural, small town, and city districts. It showed that 21.8% of our people don't eat prunes, the rest indulge on occasion. As the size of towns increases, the citizens eat fewer prunes. Middle Western agricultural families eat 4½ pounds per capita annually; the national average is 1½ pounds. Effort will be made to promote prunes for dessert and salad at dinner, tea and supper; now 62% of consumption is in breakfast dishes.

"U.S. Grade A, Fancy"

Canners may now secure this label, if they have the goods, the nerve, and a little money to spend.

FEDERAL government grading of canned goods has been carried on for a number of years, but the grading was done on warehouse stocks in order to assure bankers of the quality of the merchandise on which they were asked to advance loans.

For the first time, the system has now been extended so that the U. S. certification of grade may be printed on the label. A canner of lima beans on the eastern shore of Virginia was the first to take advantage of the new scheme. In order to secure the label, the canner has to pay the salary of an inspector in the plant, who observes the raw materials and the processing, and also takes samples of the pack after cooling and aging have had a chance to show up defects, if any.

Canners have been wary of stating grade on their labels. For one reason, they are subject to penalty if grades are incorrectly stated. For another, grading standards of the federal authorities are not relative, but absolute. Fancy tomatoes are not the best tomatoes of this year's pack; they are tomatoes which conform to certain rigid specifications, and there are unfavorable seasons when there are no fancy tomatoes.

Packers with nationally advertised brands, therefore, have tried to get their emblem accepted as representing the best quality. It is not likely they will be quick to seize the chance to get governmental certification on their labels. Smaller canners are more likely to see in the new arrangement a competitive weapon to use against these big competitors. The small canner has not the money to establish his brand as widely as Del Monte, Royal Scarlet, or White Rose, for example. But he can answer the housewife's "I don't know that brand; is it any good?" with the convincing "Uncle Sam certifies it best."

Incidentally, few outside the trade know that "choice" does not mean the best. "Choice" is second quality. "Grade A, Fancy" is first; "Grade B, Extra Standard or Choice" is second. "Grade C, Standard" is third. No canner is compelled to label any of these 3 grades, but if his goods are below Grade C, they must be so labeled under a new law.

"Gyp" Radios

Legitimate manufacturers seek protection through a label.

"GYP" sets made in tiny shops whose equipment is a set of soldering irons and whose research consists of tearing a standard set to pieces so as to copy it, are the curse of established radio manufacturers. The gyps, of course, pay no royalties to anyone. They hire no engineers, buy no advertising, contribute to no broadcasting, issue no guarantees, give no service. But they sell sets, and how!

Radio Manufacturers' Association believes one answer should be a label assuring the purchaser his set is duly licensed and made up to certain specifications. A new Engineering Institute of RMA will issue such labels.

At the meeting which decided this, manufacturers passed resolutions calling upon Radio Corporation of America to protect its licensees by prosecuting infringers. Which is easier asked than done, for today's XYZ Radio Co. becomes the JKL Co. tomorrow—and neither has any assets.

Radio Tidal Wave

Standardization has been sunk in the flood of new radio tubes.

RADIO receiving sets are using many new tubes. Thereby hangs a tale of a new confusion in the industry which is giving manufacturers, dealers, and service men serious worry. Six months ago there were 33 recognized designs of tubes. Tubes of the same type were widely interchangeable. Today there are 65 types of tubes, and very little interchange is possible. An extreme instance is a tube about to be put on the market which has seven prongs. A definite trend toward standardization has been completely reversed.

Dealers and service men are complaining of the heavy burden of stocking 65 varieties of tubes. Manufacturers themselves feel they have worked into a situation wherein they make no money from tubes but must depend upon a side line, as incandescent lamps, to get by. Set owners have not felt the full impact of the change as yet, but when they do find there is only one store, perhaps at the opposite end of town, where they can get the one tube that fits one socket in their radio set, they are expected to howl.

In the end, the pressure of the forces probably will accomplish standardization, but no one as yet will lead

Nickel Novelties

Ice cream makers find that the new palate-teasers cut into the sale of standard gallonage.

ICE cream manufacturers, urged to think up new palate-teasers to loose the public's tightened grip on its nickels and dimes, reported to their national association's annual convention at Detroit a vast expansion of 5¢ and 10¢ frozen novelty production. A survey covering 130 plants in 51 cities in 2 states uncovered 297 such items of 9 distinct kinds for 1932 against 177 of 37 varieties in 1931.

On questioning, 35 manufacturers of 49 said that they were selling the novelties because their competitors did and 7 more admitted that competition was part of the reason for their interest. Forty-eight out of 50 were convinced that they cut into profits.

Average net profit on 5¢ ice cream novelties was 12.8¢ a dozen. Against this one manufacturer reported a net of 28.4¢ a dozen. Average margin on 10¢ ticklers was 19¢ a dozen. But one plant cleared 49¢ a dozen. Average share of business represented by novelty sales was 17%. Evidence is that, whatever the doubts of some companies, the ice cream novelty, first put over in a big way by the Eskimo Pie, is here to stay but that there may be some shrinkage in variety.

Vitamin D Dollars

Two staid universities are now competing for them.

COMMERCIAL exploitation of the Zucker process of enriching milk with Vitamin D has just begun in Detroit. W. Kennedy Dairy Co. has been licensed by Columbia University, which holds the patents, to use it.

The process is the invention of Prof. Theodore F. Zucker, of Columbia. From a ton of cod liver oil, a pound of concentrate is prepared, which serves to treat 6,000 quarters of milk. The concentrate is tasteless.

The Steenbock process has been in use for some time. Irradiated yeast is fed to the cows. Fed 75,000 or so units, the cow gives milk containing about 1,500 units. Efficiency is 1:50.

Steenbock patents are held by University of Wisconsin. So two staid universities now are business competitors

Ewing Galloway

FREIGHT POST OFFICE—New York's great Inland Freight Terminal occupies a city block—8th to 9th Avenues, 15th to 16th Streets—is so big it is hard to photograph. It is New York's biggest building, with 37,223,864 cubic feet. Here will be handled the city's l.c.l. freight.

Bankruptcies

Most bankrupts never should have started in business. Some could have been saved. The Department of Commerce prescribes remedies based on 570 dissections.

BANKRUPTCY is a preventable economic disease. Widespread indifference has promoted it to the class of dangerous contagions. Its wholesale recurrence is an indictment against, a burden upon our business system.

In terms less harsh, these conclusions are reached in the latest survey of the Department of Commerce on commercial failures. The dissections comprised 570 bankruptcies occurring between November, 1930, and June, 1931, in the Boston district. The Institute of Human Relations and the Law School of Yale cooperated. A satisfying New England thoroughness permeates the report, which explores the educational and cultural background of the fallen, uses their misfortunes to illuminate the national picture.

Major bankruptcy causes are found to be unwise management, abuse and over-extension of credit, adverse personal factors. Most bankrupts should never have gone into business at all—they were licked before they started by lack of real opportunity, by deficiency of experience and ability, and by other shortcomings. Instead of citing this as a vindication of a tooth-and-toe-nail competitive system, the report is painfully logical.

Failures were of little benefit to the survivors. Bankrupt assets and stocks must be sold for what they will bring. Such sales, because of low prices, often establish levels at which remaining businesses find themselves unable to make a profit.

Competition is generally believed to clear the unfit, leaving the field to those with more brawn, or more brain, or more resistant skulls. Not so, says the report. The unfit are eliminated "but unfortunately their places are filled by others equally inefficient and unqualified." No effective method of selection has been discovered "although there is sufficient evidence to prove the need of one."

Over-optimistic granting of credit enabled many persons to enter businesses which were failures from the start. Not satisfied with this showing, creditors continued to finance the cripples, though 53% of the latter were poor pay from 7 months to 2 years before they actually failed. Themselves victims of too much generosity, the creditors passed on the evil by lax credit to their customers. Open credit losses of such bankrupts for the year prior to failure were 5.6% of open credit sales—that is 9 times the loss ratio of capable concerns.

The Boston survey affirms results in other sections. One accepted proof of good management is adequate accounting. Over half these bankrupts didn't bother to keep any books. Another 28% kept inadequate records. A large proportion failed to take inventories. Insufficient capital was an important contributing cause. Only $5,000 or less was originally invested in 72% of the failed companies; 124 concerns started with $500 or less.

Were the bankrupts skilled in their lines before entering business? Less than 18% were engaged as owners in the same business prior to starting the bankrupt concerns. Only 30% had been proprietors. On top of this lack of experience, was as definite a lack of fundamental schooling. Over 40% of the 570 failed to finish grade schools; 70% failed to graduate from high school; less than 10% of them were college graduates.

Loud and justifiable outcries have been made against the cost of liquidating bankrupt assets. The Boston survey digs deeply into its facts and emerges with the discovery that if assets had been sold for exactly the value placed on them by the bankrupts, and if funds had been delivered with no administration costs, creditors would have received only 18¢ on the $1. (In 1931 creditors all over the country actually received less than 7¢ for every $1.)

A great many bankrupts placed the blame upon that past grand billy of all scapegoats—The Depression. The Boston survey refuses to let them get away with it. There has been a steady increase in failures without any dramatic leap in the percentage for the past lean years. In 1925 the ratio of commercial failures to the total number of business concerns was 1.05%; in 1927, 1.07%; in 1929, 1.04%; in 1930, 1.21%; in 1931, 1.33%. Causes are more fundamental and influential than the depression. The report opines that "the larger proportion of failures result from bad judgment shown at the very inception of the business." Most enterprises which fail "have no economic justification, lack the essentials of successful operation."

And the remedies? Those suggested are (1) proper accounting methods and efficient operation, (2) selective and wise credit extension, (3) penalties for fraudulent acts. In this, business men and organizations can assist. The government is trying to help by re-vamping the ancient and unworkable Bankruptcy Act. Proposals to be brought before the next Congress hope to assure (*a*)

thorough examination of every bankrupt, (*b*) conviction of fraudulent debtors and refusal of discharge to the undeserving, (*c*) creditor control of bankrupt assets through an agency that will function without red tape.

To emphasize the need for reform the report points to the colossal losses and the resulting burden on the business structure. Liabilities in excess of assets increased from $99 millions in 1920, to $301 millions in 1931, a jump of over 200%. (Remember that the 1931 dollar is $2.12 when compared to that of 1920.) Losses to creditors rose from $179 millions in 1920, to $941 millions in 1931. Total losses for the intervening period were $7¼ billions.

Truck War

Pennsylvania orders "foreign" carriers to take out Penn licenses. Truckers expect more of this.

TERMINATION of the motor license war on the Pennsylvania–New Jersey border has brought no sign of relief from the harried truck and bus operators. Whoever won, they lost. Moreover, they suspect that this was only a foretaste of what they will be up against for some time to come.

The interstate conflict touched off by Pennsylvania's new motor vehicle law was short, sharp, and significant. Last session the Keystone State legislature voted: (1) that all "foreign" commercial carriers operating for hire on regular schedules must take out Pennsylvania licenses before venturing to use Pennsylvania roads; (2) that other trucks and buses carrying goods or passengers from other states for hire must follow suit if they made more than 15 trips a year over the Pennsylvania line. Private carriers were exempted.

On the first of this month border patrols began to enforce the law. Neighboring states promptly jacked up their requirements to put invading Pennsylvania carriers for hire under similar expense for an extra license plate. Not content with this, irate New Jersey authorities announced that to them a truck was a truck and thereafter all Keystone highway carriers, whether hauling for hire or for themselves, must fly Jersey license colors on Jersey roads. Trucks began to pile up at the state lines. Long-distance operators jammed the ferry between Pennsville, N. J., and New Castle, Del., which gave them an eastern route around Pennsylvania. Harrisburg prepared reprisals against Trenton.

This lasted until J. Maxwell Smith, general manager of the Keystone Automobile Club, pulled Leon D. Metzger, Pennsylvania Secretary of Revenue, and Harold Hoffman, New Jersey Commissioner of Motor Vehicles, into an armistice session at Philadelphia. On Nov. 4 the negotiators announced a compromise. New Jersey will not force Pennsylvania's private carriers to display a second license. Pennsylvania will consider the advisability of repealing its emergency law at the January legislative session, will be "reasonable" in the interim.

Meanwhile, contract carriers crossing Pennsylvania borders are still stuck for an additional license and the long-established interstate reciprocity policy has been badly jarred. Truck operators are convinced that it's going to be jarred again when the 1933 legislative sessions get going. Some of them are saying out loud that the railroads were back of Pennsylvania's action, that railroad emissaries are whispering into the ears of lawmakers in all states. Truck manufacturers are getting behind a move to enlist truck users in a defensive. As an opening gun, the White Co. has sent out a letter urging fleet-owners to enroll their employees in a drive against anti-truck legislation.

Acme

INTERSTATE TRADE BARRIER—This Maryland produce trucker finds his papers are no good in Pennsylvania; he must pay for another license plate or go home. Neighboring states have started reprisals.

New Bus

Design for heavy urban service, the new White offers some revolutionary features.

HEAVY-HANDED bus drivers step out of the new White with a dazed grin. Used to wrestling a stubborn steering wheel, they cannot quite appreciate a multi-ton coach which needs no more muscle than a light coupé.

Hard-headed transit men survey its unusual passenger capacity, 44 seated, 56 standing, watch it take corners easily, pick up smoothly and swiftly when the red light turns green, consider servicing time.

Basis of the new coach, which is the result of several years' work by the White Co. of Cleveland, is a radical new motor, 12 cylinders opposed, so flat it can be slung amidships under the floor, out of the way yet accessible, permitting full use of every overall inch for passenger purposes. Delivering 225 horsepower, it provides the rapid acceleration necessary in the start and stop of city traffic.

Every control that needs it is power-operated. Other buses have experimented with power clutch and steering, most have air brakes. This is the first, however, to use all three. To make the driver's life still easier, he is given a silent, constant-mesh transmission which does away with strong-arm gear shifting.

The first model looks like a street car, is designed for the mass traffic job. There is no reason, however, why the principles should not be extended to interurban and cross-country service. If maintenance and operating costs are as low as expected, the new White is likely to upset traditional bus-building practice.

Psychology's a Business, Too

Business has gone in for psychology. Why shouldn't psychologists go in for business? They should and they have. For instance, there's the Psychological Corp.

At the National Business Show, the booth of the Psychological Corp. was patronized by prospects who examined strange gadgets by which mental and manual tendencies are charted. They filled out sample questionnaires and stood in awe while an austere young lady ran results through a special tabulating machine, loaned by Columbia University, which told whether they ought to be doctors, teachers, engineers, or what. The machine claims to separate reactions into vocational indications as surely as comparable machines on the farm divide cream from milk.

Professors were in attendance. Not cloistered savants who seek quiet retreats to enjoy books and indulge their absent-mindedness. These profs were young and vigorous. Phi Beta Kappa keys waved gallantly from watch chains. They rushed about, dealing out literature, answering questions, explaining the apparatus of their calling. One device is a simple metal plate pierced with rows of holes; by taking small pins with pincers and plugging the holes one indicates whether he has sufficient co-ordination between hand and brain to enter the engineering trades. Skill or awkwardness in re-assembling the wiggly block discloses other mental facts.

Psychological Corp., New York, is a national organization through which accredited psychologists apply their science to the problems of business, industry, and the individual. It was founded in 1921. James R. Angell, president of Yale, and many other eminent educators are on the board of directors. J. McKeen Cattell is chairman. Affiliated are 300 psychologists in many parts of the country.

Work of the corporation falls naturally into divisions. It aids employers to pick the right persons for jobs by simple mental tests and simple experiments in dexterity—screwing nuts on bolts, arranging blocks, etc. It aids the person to orient himself to the community by helping him determine the kind of job for which he is best fitted. It assists firms in determining markets for products and the best merchandising approach through psychologically sound surveys and analyses.

The last phase of the work is growing in importance. Surveys may enlist the aid of affiliated scientists. Assistants are 1,000 older students and graduates. In 10 days or 2 weeks they will undertake to make 10,000 interviews. The workers ring doorbells, talk to housewives or business men, ply them with psychologically fruitful questions, draw from the total deductions that are guaranteed free from ballyhoo.

Many surveys and advertising deductions made by executives who are not trained psychologists are scientifically sound; it is all common sense applied to the known phenomena of human nature. But some efforts are not so good. Common errors are surveys that set out to prove pre-conceived conclusions, questions framed in such a way as to indicate answers, campaigns which seek to oppose fixed habits rather than attempt first to determine behavior and fit the approach to natural inclinations.

Henry C. Link, of the Psychological Service Center, recently published a book—"The Psychology of Selling and Advertising." He points out that the most effective sales approach is one which "makes a quantitive study of people's behavior rather than an analysis of their motives and thoughts." This substitutes "facts for speculation and opinion" and considers "what people actually do as more important than what they think." He stresses the advantage of entrusting studies to impartial research agencies whose object is to arrive at unbiased conclusions, rather than to agencies having financial interest in the outcome. Often a multiplication of interviews merely multiplies the errors of conclusion.

Dr. Link cites some recent illustrations. Makers of electric alarm clocks at first emphasized the master clock which guaranteed accurate time, synchronous motor, other mechanical perfections. Psychological Corp. made a survey which proved that people were not interested in such details. They found that most irritations came from forgetting to wind the clock or to set the alarm, with the result that trains and opportunities were missed. No clock company had headlined the simple fact that "You never have to wind an electric clock"!

Camel received a million replies in a contest for a slogan describing its cellophane wrapping. Yet they overlooked the obvious fact that breaking the tough cellophane was annoying. Lucky Strike discovered this important factor and devised the easy-opening tab. No maker has yet tried to overcome a remaining universal irritation—that of having to spit out shreds of tobacco that come loose from the cigarette tip.

Vocational guidance is especially valuable for young folk who haven't yet decided what they want to do in life. Older people take such tests with less success. One applicant was a carpenter

Acme

QUESTION MARKER—Doctor, lawyer, Indian chief? This is the machine which computes vocations after the answers to an elaborate questionnaire have been tapped out by the young lady. "Yes" and "No" add up to definite recommendations. Standing, left to right, Drs. Wood and Achilles.

45 years old who wanted to be a doctor. It was difficult to prove that such a career was impossible because he was too old to start over and he lacked money sufficient to take a long medical course.

An "anxious mother" had a daughter who wanted to do something but hadn't the slightest idea what. The psychologist's first step was to discover her personal background and history, then to inventory her personality, habits, interests, and education. The girl's scholastic abilities were deficient but she showed a chemistry aptitude greater than 70% of college freshmen and marked mechanical ability. On this basis possibilities suggested were dentist's hygienist, pharmacist, laboratory technician.

The girl used the analysis for the first independent decision of her life. She discovered that she had really wanted to be a dentist's assistant all the time.

Work-Spreading

Labor finds the upturn increasing working hours more than jobs. Employers differ on value of job-sharing.

THE seasonal upturn which has given some industries more work to spread is testing the convictions of manufacturers who have rendered lip service to the work-spreading movement. Probably both the upturn and the movement are too young to be subjected to a definite showdown, but the early reports are not encouraging to the American Federation of Labor.

The Federation cites National Industrial Conference Board figures to show that "this fall when new orders made it possible to increase production, firms lengthened work hours instead of employing more men." The figures show that average hours worked per employee in manufacturing industries increased from 32.2 a week in August to 34.8 in September. Labor leaders calculate that in iron and steel production increased 22%, employment 1%; leather and shoe output went up 10%, employment thereon 1%; food industries produced 19% more, employed 1% more workers; tobacco production advanced nearly 3% on nearly 1% less employment.

September statistics show the Conference Board that "the advance in average hours was greater than that in employment." This, says the Board, was to be expected: unemployment implies idle machines, and partial employment implies incomplete utilization of machines in operation; therefore, an increase of output would be more economically secured by a fuller utilization of machines in operation than by putting additional machines into use. The first course would increase hours of work, and the second would increase number of workers.

While awaiting fuller reports on the progress of work-spreading this fall, business men are studying data on this subject collected by the Conference Board last spring and just published in its exhaustive report on "Shorter Work Periods in Industry." This survey showed that of 1,305 concerns giving information, 1,116 or 85% were spreading work by operating on part-time schedules, rotating shifts and staggering work periods, or by some other method. The largest group of objectors rallied around the argument that work-spreading was not applicable to their type of work. The compiler wonders how far this would be found literally correct, if the will (to spread work) were sufficiently strong. As expected, the proportion of those which do not spread work is much higher among the very small concerns than among the larger ones. The little plants say they can exert so little effect on local employment situations that the social results of work-spreading often seem incommensurate with the disturbance to routine.

Like all earnest commentators on work-spreading, the Conference Board raises the question of whether it is better to try to give everybody work at subsistence levels or to assure reasonably good earnings to a few and take care of the others outside the payroll—presumably through the relief roll. It points out that under the former policy purchasing power is more widely diffused, but each individual possesses so limited an amount that most of it is used for the necessities of existence. The latter policy does not materially limit the market for necessities because people must live; moreover, it tends to enlarge the market and job-roll of the semi-luxury and luxury industries, at the same time increasing taxes or voluntary contributions for the support of those who are unable to secure employment.

Until recently most of the work-spreading propaganda had been addressed to manufacturing industries. However, statistical studies show that manufacturing industries on the whole are working shorter hours than those in other lines. Walter C. Teagle, president of Standard Oil of New Jersey and "national coordinator" of this movement, has been directing a large section of his artillery at these other industries. Latest to be signed up are the bankers. The 21 member banks of the New York Clearing House, now employing 33,000 men and women, have just been induced to pledge their support. How their good resolutions are to be carried out is left to individual members.

Other clearing house associations in other cities are expected to fall into line.

Recovery

Private industrial modernization projects are progressing rapidly under organized business initiative; but the R.F.C. finds government construction loans tend to lag and rouse local conflicts.

THE past week's budget of news about government and private efforts to stimulate business recovery reveals a somewhat striking contrast between the two. The R.F.C.'s first housing loan, approved last week, was received with a rousing Bronx cheer by landlords, real estate organizations, chambers of commerce, not only of the Borough of Bronx, for whose benefit the loan was intended by the Corporation, but of all other boroughs as well.

Complaint is that there is already a large surplus of low-priced, fairly modern, housing accommodations available in the section of New York City where the new apartments are to be built; that competition of government money in the housing field will lower rents and ruin property owners all around; that the project approved is not slum-clearance, since it is to be built on vacant land; that if the land were properly valued the R.F.C. would be found loaning about 100% of the value of the project, etc., etc. The Corporation's reply to all this is that it doesn't know much about it except that

New and improved methods for handling *Figure Distribution and Analysis*

Many accounting methods that were considered satisfactory two or three years ago—or even six months ago—now require careful scrutiny to determine whether they are efficient and economical under present-day conditions.

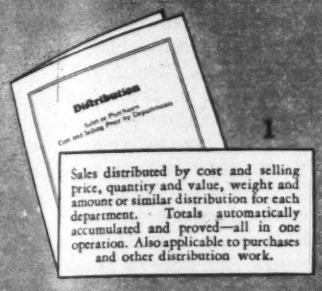
Many firms are effecting substantial economies in their accounting procedure by the use of new and improved methods made possible by recently developed Burroughs machines and Burroughs features.

For example, one of the most important types of accounting work on which business is economizing is in the distribution, tabulation and analysis of figures relating to sales, purchases, labor, material and expense. Besides reducing the cost of obtaining this vital information, Burroughs provides it promptly when it is of greatest value.

To assist business to take advantage of these new methods and machines, Burroughs has prepared a series of folders as shown at the left. Read the captions and decide which of them interest you. Then fill in and mail the coupon, or telephone the local Burroughs office. There is no charge or obligation.

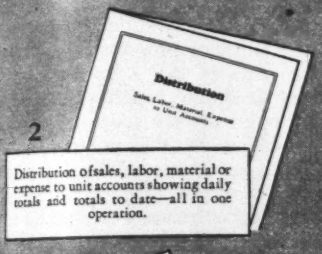
Burroughs

WHICH OF THESE FOLDERS WILL HELP YOU?



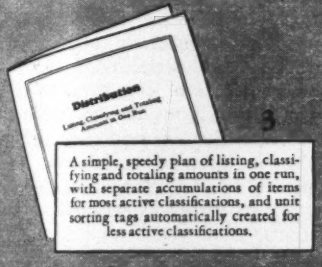
1

Sales distributed by cost and selling price, quantity and value, weight and amount or similar distribution for each department. Totals automatically accumulated and proved—all in one operation. Also applicable to purchases and other distribution work.



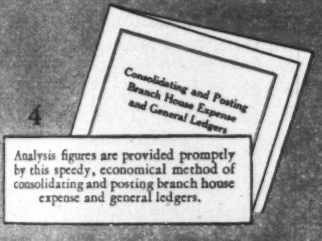
2

Distribution of sales, labor, material or expense to unit accounts showing daily totals and totals to date—all in one operation.



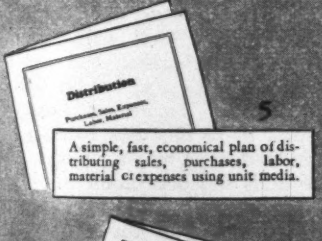
3

A simple, speedy plan of listing, classifying and totaling amounts in one run, with separate accumulations of items for most active classifications, and unit sorting tags automatically created for less active classifications.



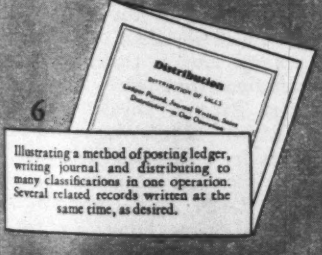
4

Analysis figures are provided promptly by this speedy, economical method of consolidating and posting branch house expense and general ledgers.



5

A simple, fast, economical plan of distributing sales, purchases, labor, material or expenses using unit media.



6

Illustrating a method of posting ledger, writing journal and distributing to many classifications in one operation. Several related records written at the same time, as desired.

MAIL THE COUPON

Burroughs Adding Machine Company, 6131 Second Boulevard, Detroit, Michigan

Please send me, without charge or obligation, folders numbered _____. I am interested also in other folders showing improved methods of handling the applications I have checked:

☐ Payroll ☐ Accounts Receivable ☐ Accounts Payable
☐ Stores Records ☐ Billing ☐ General Accounting

Name _____

Address _____

International News

NEVADA SUBWAY—A 10-ton truck, looking like a roller skate in a water-main, climbs through the huge tunnel which will carry off the waters of the Colorado River when the $165-million Hoover dam is completed.

the State Board of Housing had approved the project, and that local objectors should make their complaints to the Board.

This row is another instance of the accumulating difficulties the R.F.C. is running into in trying to administer the construction loans provisions of the Relief Act. In the first place, eligible applications in proper form are hard enough to get; when they are finally found and approved after long delay and much amendment local objections and often legal snarls tie up operations indefinitely.

Thus, in the big Bronx venture the State Housing Board and the R.F.C. may have to make new appraisals of the property, hold hearings for the opponents, and perhaps in the end see the work held up by legal proceedings. Largely for such reasons little, if any, of the $135 millions of loans the R.F.C. has already approved for self-liquidating construction projects has gotten into the pockets of unemployed workers.

The advisory committee of engineers cooperating with the Corporation reported last week that the R.F.C. has on hand more than a billion dollars worth of loan requests. The committee found only 64 of the projects, totaling about $136 millions, in good form and likely of approval. About half of these are for water supply systems, upon which the Corporation will probably have to place increasing reliance for prompt large-scale employment.

Some 42 projects, totaling $190 millions, have been put by the committee in the class of incomplete and informal applications, which may be approved ultimately but only after considerable delay. A third class, numbering about 87, of about $385 millions in value, are almost wholly informal and accompanied by little or no data. The rest of the applications can only be classed as air-castles.

To stimulate more applications upon which it can act more promptly the Corporation has enlisted the cooperation of the American Municipal Association, which through its contacts with municipal leagues is in touch with 70,000 city officials in 5,000 cities. The association will try to acquaint city officials with the terms of the law and regulations covering R.F.C. loans so that only eligible projects will be brought forward and everybody's time thus be saved.

The R.F.C. also finds itself disappointed over the lack of applications for livestock feeding loans offered by the agricultural credit corporations recently set up in all 12 Federal Land Bank districts. At first farmers and livestock feeders rushed the corporations with requests for credit, but more recently they have not been forthcoming, in spite of the large corn crop and low prices of corn and other feed grains.

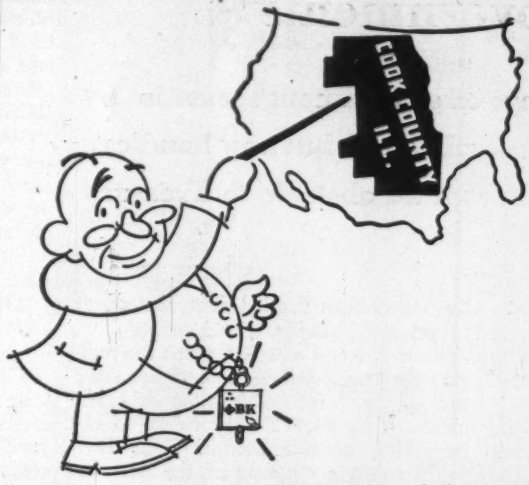
More important to the success of government recovery measures is the revelation by officials of the Home Loan Bank Board this week that only 10% of the building and loan associations in the United States have subscribed to stock in the system, and of these only 75% are eligible to membership. Thus the minimum subscription from private sources required by law was not forthcoming when the Home Loan Banks were opened for business Oct. 15. The Treasury has supplied $125 millions of the capital stock, but at least $9 millions are needed from private sources to comply with the minimum capitalization requirements.

This situation handicaps the system in meeting emergency cases promptly, and Congress may be called upon to liberalize the law so as to enable the system to make direct loans to home owners.

The superior progress being made by those parts of the Administration's recovery program which depend principally upon private cooperative effort is also shown by the preliminary statement released this week of the results of the work of the committee on industrial rehabilitation, headed by A. W. Robertson of Westinghouse. Within the 2 months since the movement was started the aggressive organization of groups of industrialists in the various Federal Reserve districts has released over $70 millions in expenditures for new machinery, production and distribution equipment and plant facilities planned by the companies so far reporting in three of the Federal Reserve districts.

Heading the list are the A.T.&T. with a modernization expenditure of $35 millions over and above the normal outlays for improvements and expansion made by this company; Standard Oil of N. J., committed to an outlay of $20 millions for improvements; and the Pacific Gas & Electric Co., which will spend $5 millions in the next year for expansion and improvements. Lines of business in which funds for these purposes have been or will shortly be released include steel mills, soap, containers, radio, rubber, teas and spices, playing cards, coal, chain and mail order stores, department stores, warehouses, dairy products, bakeries, paper, glass, laundries, public utilities, mining, chemicals and flour mills.

Rehabilitation of retail stores is an important part of the program. Randolph Eide, president of the Ohio Bell Telephone Co., is chairman of the rehabilitation committee in the Fourth Federal Reserve District (Cleveland), for which details of modernization projects have just been released; in the Ninth District, centering in Minneapolis, R. F. Pack, president of the Northern States Power Co., is chairman; and in the Twelfth District (San Francisco) William A. Ross, vice-president of the Columbia Steel Co., heads the work.



COOK COUNTY
ILLINOIS

64.4% of all the spendable income of the state of Illinois is in Cook County . . . 63.4% of all retail sales made in Illinois are made in Cook County . . . 60.5% of all food sold in Illinois is purchased in Cook County . . . 67.9% of all drug store sales made in Illinois are made in Cook County . . . all this in only 1.6% of the total area of the state . . . That is why The Chicago Daily News *has*, and advertising *should* be concentrated in Cook County . . . Over 400,000 Cook County buyers read The Chicago Daily News regularly . . . *96% of Daily News circulation is concentrated in Cook County* . . . No other newspaper carries a sales message to Cook County as effectively as does

FACTS NO ADVERTISER CAN IGNORE!

For the first 10 months of this year The Chicago Daily News carried more Grocery Advertising than the combined total of the second evening paper and the two moring papers.

For the first 10 months this year The Chicago Daily News carried more Retail Advertising than any other Chicago daily or the two morning papers combined.

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CONCENTRATED QUALITY QUANTITY EVENING CIRCULATION

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Banks and "Governments"

Heavy increases in holdings of government securities by banks have financed the federal deficit, but now handicap credit aid to industry and form an obstacle to Treasury refunding efforts.

TREASURY financial policies worry people these days on several points, and a change of Administration is not likely to alter any of the problems much. There is, of course, the current fiscal year deficit which, from July 1 to the end of October, amounted to almost $630 millions, only a little less than the red ink figure ($675 millions) for the first 4 months of the last fiscal year. This figure does not include outlays on behalf of the R.F.C., which are not now charged to current expenditures, but to the public debt directly.

This year's and last year's deficit figures are fairly comparable so far. In neither are extraordinary capital expenditures included. Later in the year they will not be comparable, and there is no reason (other than pessimism) to suppose that the rest of the fiscal year will make the same unfavorable showing as the first 4 months. Toward the end of the preceding fiscal year the deficit was suddenly swelled by inclusion of money appropriated by Congress for capital of the R.F.C. and for additional capital of the Federal Land Banks (together $625 millions) in the expenditures. That will not happen again this year, although of course Congress may do something else of the same sort.

On the other side of the ledger is the fact that current expenditures are running nearly $200 millions below last year, and the new excise taxes began to gain during October, although still running below Treasury estimates. More important still, the additional income taxes will be available in March and the new estate taxes are payable next June.

All this may help to cut this fiscal year's current operating deficit sharply below last year's as we approach the end of the fiscal period—especially if increasing business activity improves the excise tax yield and Congress holds down expenditures. Besides, better business will hasten repayments of R.F.C. loans to banks and railroads. It is doubtful whether any new taxes, except possibly a beer tax, could be imposed in time to add to this fiscal year's revenues.

At the moment, however, past deficits seem to be a more important source of concern than current or prospective ones, at least in some banking and treasury circles. They have become a problem because they are being carried so largely by banks in the form of floating rather than funded debt, instead of by private, individual investors.

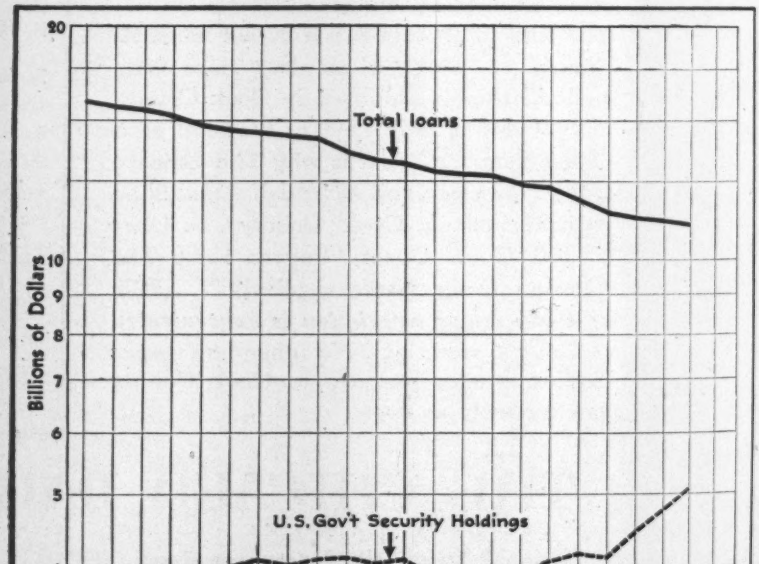
From the end of 1930, when the public debt reached its lowest figure since the war, the interest-bearing debt has increased by $4,712 millions up to the beginning of this month. This is a fairly accurate measure of the net volume of new government securities issued so far during this depression. These have been absorbed, so far as can be gauged from the available banking figures, about as follows: $2,000 millions by the member banks, $1,200 millions by the Federal Reserve banks, and $500 millions by non-member banks. In short, all but about a billion of the increase in the public debt has been absorbed by the banks.

The significance of this can be guessed from the fact that as early as the middle of this year holdings of government securities constituted almost half of the total investments of all member banks and 20% of their total loans and investments, as compared with about 40% of their investments and barely 12% of their total loans and investments at the end of 1930. How the proportion of government securities in bank portfolios has increased since the end of 1930 and especially since the middle of this year may be seen from the fact that for the weekly reporting member banks in principal cities they were only 13% of total loans and investments on Dec. 31, 1930, as compared with 22.7% on June 29, 1932, and 27.7% on Oct. 26, 1932.

The concentration of bank holdings of government securities is greatest in the larger city banks. In New York City member banks nearly 22% of total assets were in government securities on June 30 of this year, as compared with about 9% at the end of 1930. That this proportion has increased in the past quarter of the year is indicated by the fact that the 15 leading member banks of the clearing house showed holdings of government securities on Sept. 30 equivalent to 26.4% of total funds compared with 23.1% on June 30.

It is safe to say that at the present time more than half of the interest-bearing public debt, which now stands at nearly $20½ billions, is in the hands of banks, and that these holdings of government securities form between a fifth and a quarter of the total banking assets of the country.

Whether or not it is a good thing for so large a part of the public debt to be



The Business Week

FEDERAL FINANCE—Showing how government security holdings of weekly reporting member banks in principal cities of the country have steadily risen during the past two years, while loans and investments in other securities have as steadily declined. Treasury financing now depends on banks.

carried by banks, the continued increase of federal financing through the banks is disturbing for several reasons. First, of course, the extent to which bank assets are tied up in government securities may hamper credit expansion in business channels when demand revives, unless part of bank holdings of governments can be successfully distributed to the public. In the second place, while recent increases in bank holdings of governments have been mainly in the new short-term issues, a fairly large proportion of total government securities are long-term bonds, subject to considerable market fluctuation.

The banking position may therefore be greatly affected by any factor which disturbs the value of government securities. This circumstance will greatly hamper the Federal Reserve banks in their control of the money market because any move they may make to dispose of part of their large government holdings may precipitate a decline which would embarrass member banks.

Finally, the relatively large mass of short-term floating debt (over $6 billions out of $20 billions), a large part of which is carried by the Reserve banks and the member banks, is a formidable obstacle in the way of refunding operations on the maturing Liberty bond issues callable this year to 1938. The latter are already largely in the hands of the public, but before they can be successfully refunded at somewhat lower rates it will be necessary to shift the mass of short-term debt gradually into longer-term issues and get the latter into the public's hands and out of the banks.

The Treasury is saving money in interest by carrying so large a part of the public debt in floating short-term paper, but many banking observers believe that the banking system is being unduly burdened and embarrassed by this policy, and would prefer to see the Treasury in a bond-selling campaign to stimulate individual investment in new government security issues. It now depends altogether on the banks and makes little or no attempt to interest investors in even the occasional issue suitable for such investment which it brings out. In most European countries the investing public carries a much larger part of the public debt than is the case here. Several countries have successfully reduced their debt charges and consolidated public debt through conversions.

Between now and March 4, 1933, some $2 billions of short-term notes, certificates and bills mature. The Treasury will have an unusual opportunity to consolidate and refund some of this floating debt into long-term bond issues and secure wider public participation in their purchase. Reports from Washington indicate that something of this sort is being seriously considered by Secretary Mills for announcement soon after election.

Eye Appeal ..and Profits

The sales value of a Superior Package

Keen merchandisers realize that EYE APPEAL is one of the most important requisites in making sales . . . This is especially true of packaged goods.

Notice how often a purchaser selects one product in preference to another, chiefly because of a superior package. And in most cases the choice is wisely made—for the public has learned by experience that the better products are invariably in modern, attractive packages, scientifically designed to keep the goods in first-class condition.

Competition for the consumer's favor has made package standards higher than ever before. And the makers of packaging machinery and package material have kept abreast of this trend.

New Possibilities in Package Design

Today you have a wide choice in the type of package you may use—you can design a package especially suited to your product, a package that has individuality and eye-appeal.

Our machines are making packages with practically every known form of packaging material—plain Cellophane, printed Cellophane, printed paper wrappers, glassine, foil, cardboard, etc.—and in a multitude of forms.

Lower Costs with Modern Machines

A package improvement does not necessarily mean increased cost. Indeed, the very machines which make the improvement possible, often lower costs because of their higher efficiency.

Consult Us

With our wide experience, and intimate knowledge of modern trends, we can give you real assistance in carrying out your package improvements. Consult our nearest office.

PACKAGE MACHINERY COMPANY
Springfield, Massachusetts
New York Chicago Los Angeles
London: Baker-Perkins, Ltd.

PACKAGE MACHINERY COMPANY
Over 200 Million Packages per day are wrapped on our Machines

How Much shall we make

Over 75% of the plants in this country could receive EXTRA annual dividends from Johns-Manville. *Do you want your company's name on the list for 1933?*

$1,749 A YEAR SAVED by a Chicago Plant . . . $2,078 a year by a West Virginia Steel Company . . . $11,579 annually by an Ohio Foundry . . . $7,832 every year by a New York Chemical Company . . . $8,748.15 by an Illinois Glass Plant.

And so we could go on for pages and pages. Just a few of the names of these companies, and the amounts they save every year, are listed in this advertisement.

These are not fictitious examples. They are not even approximate figures. They represent the *actual* dollars and cents annual savings, taken right from balance sheets, that scores of prominent organizations all over the country are realizing as a result of their investment in Johns-Manville Insulation. In reality, they represent an EXTRA annual dividend that Johns-Manville pays them year after year, with the regularity of clockwork.

AND so we ask—do you want your company's name on the list for 1933? If so, how much shall we make *your* check out for?

A recent survey conclusively proved that heat loss—heat waste—*dollar waste—is taking place today in 75% of this nation's plants. We repeat, 75%.* The chances are 3 to 1 that this is true in *your* plant, that your organization is passing up an opportunity to save substantially in operating costs.

• • •

When a water line leaks, somebody sees it—stops it. But nobody can see heat losses. That's why heat leakage—heat radiated through uninsulated surfaces or inadequate insulation—goes on year after year and nobody does anything about it. But the cost goes on just the same. *You're paying for insulation whether you buy it or not.*

Isn't this the time to stop paying and start saving, particularly when that saving is substantial and can be tabulated and proved before even a dollar is invested.

For over 70 years Johns-Manville has assisted plant engineers in saving fuel dollars. By spotting and properly insulating the hundreds of places where heat loss can occur. And by assuring the continued efficiency of this insulation through periodic check-ups.

In plant after plant J-M Insulation Engineers have demonstrated their ability to reveal heat losses that defy casual detection and to point out conclusively how quickly an investment for J-M Insulation *pays for itself.*

• • •

REMEMBER—75% of the plants in this country today are *paying for the lack of insulation* or the *lack of proper insulation.* Why not find out how *your* plant stands?

Johns-Manville will gladly assist your staff in making a complete survey of your operation, without the slightest expense or obligation on your part. Just address Johns-Manville, 292 Madison Avenue, New York City.

A Few Representative Companies to whom Johns-Manville pays the Extra Annual Dividend

	Annual Saving
National Lumber & Creosoting Co., Finney, O.	$1,408.12
Union Carbide Co. Sault Ste. Marie, Mich.	7,832.52
Pennsylvania-Dixie Cement Corp., Clinchfield, Ga.	4,770.40
Hazleton Brick Co. Hazleton, Pa.	4,960.02
Fords Porcelain Works, Inc. Perth Amboy, N. J.	1,788.66
Ohio Steel Foundry Co. Lima, Ohio	11,579.00
Paramount Brick Works, Inc., Brooklyn, N. Y.	6,679.24
West Virginia Rail Co. Huntington, W. Va.	2,078.00
Lukens Steel Co. Coatesville, Pa.	1,497.26
Delta Star Electric Co. Chicago, Ill.	1,749.00

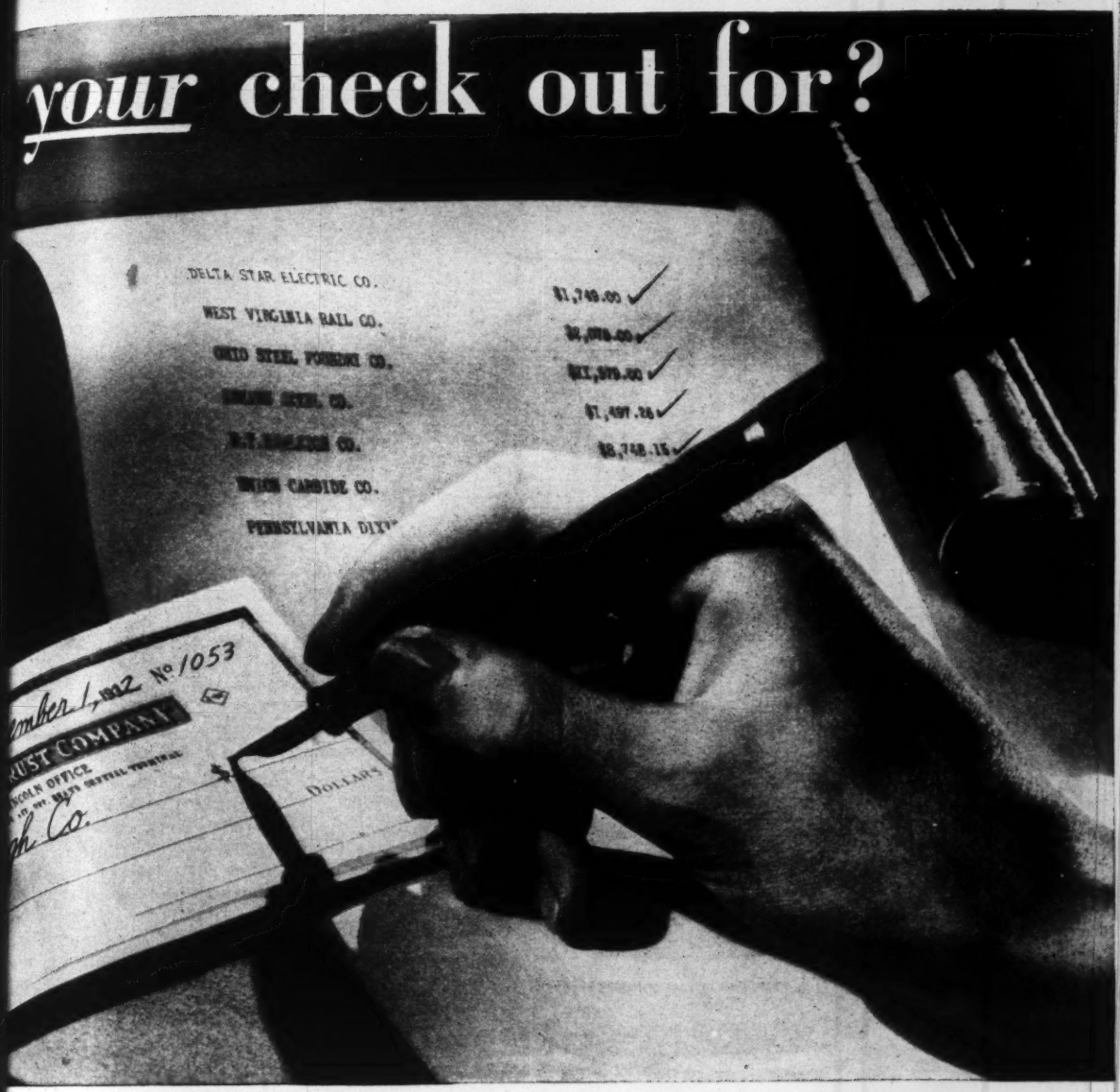
Johns-Manville

JM

Controls
HEAT, COLD, SOUND, MOTION

Protects against
FIRE AND WEATHER

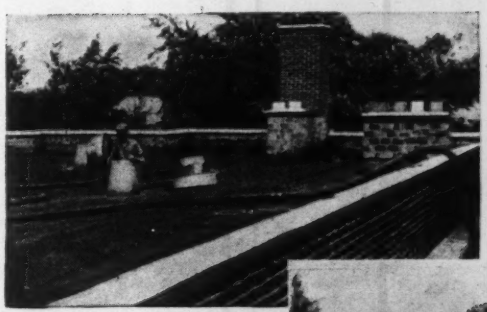
your check out for?

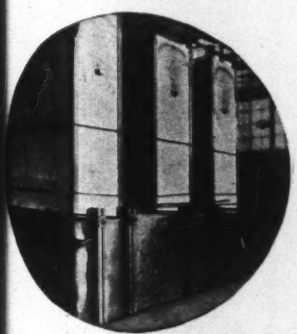


"Reduced fuel costs 26.5% . . . effected net annual savings of $8,748.15"

As a direct result of Johns-Manville Insulation, the W. T. Rawleigh Co., Freeport, Ill., realized a fuel saving amounting to 1,480 tons of coal annually. The net annual saving is $8,748.15—a net annual return of 655% on the investment which means that J-M Insulation paid for itself in less than 2 months.

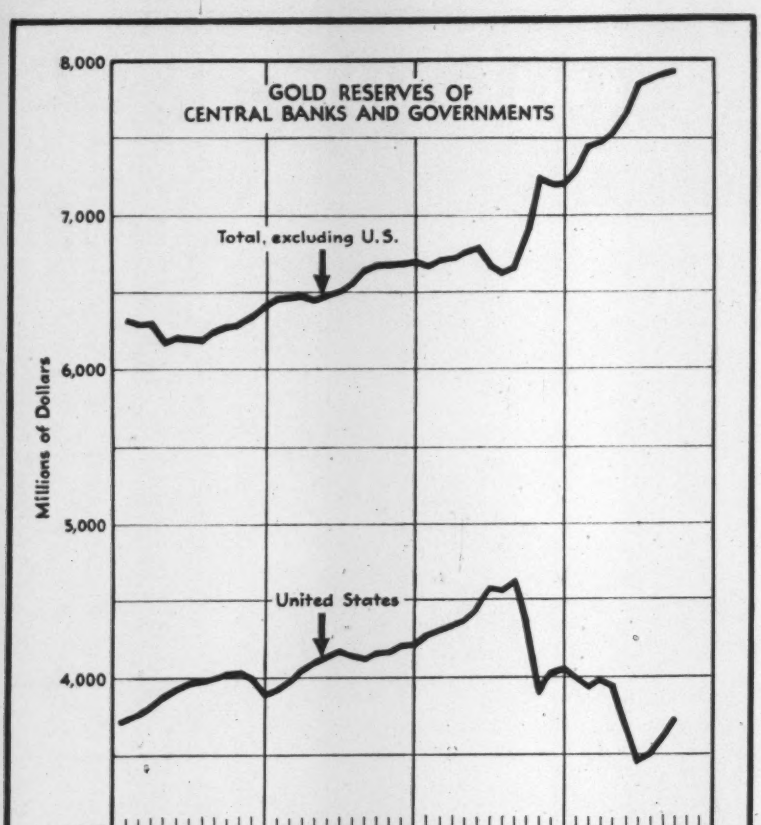
Results like this cannot be disputed. They are *facts*, based upon actual records, taken right from the ledger. Proof that J-M Insulation *pays for itself*.





"This hose made them the coolest apartments in town . . . almost overnight"

Three days after the roof of the Neil Manor Apartment House, Columbus, O., was insulated with J-M Home Insulation, applied pneumatically through a hose, tenants reported that the apartments had become delightfully cool, *the temperature being reduced from 12° to 15°*. The owner of the building stated that the upper, and hottest, apartments—were now the *coolest in town*. Within 6 weeks the building was 100% occupied.



Gold—and More Gold

Depression reduced the price of everything except gold; so the amount of the yellow metal dug up and hoarded by central banks and governments has increased rapidly. History suggests important consequences.

FOR those who understand the esoteric mysteries of these matters, the collapse of stock and commodity prices and the contraction of industry and trade can be quite simply and completely described as a world-wide scramble for gold. The scramble occurred not because there was too little gold in the world as a whole, but because everybody wanted it; and everybody wanted it because a few countries and institutions were able to or just did gather most of it in, and those that couldn't or didn't were made most uncomfortable thereby, and wanted it all the harder.

The most striking reflection of this gold rush is seen in the figures recently furnished by the Federal Reserve Board showing the remarkably rapid increase in the gold holdings of central banks and governments of the world and in the annual production of new gold in the past 3 years. If history proves that a rapid increase in gold reserves, through new discoveries or more rapid production of the yellow metal or otherwise, is a forerunner of rising price levels or inflation, then the facts regarding the accumulation of gold in the past 3 years may furnish a basis for optimistic expectations.

While our own gold reserves are now approximately the same as they were early in 1929, before the crash, those of the central banks and governments of the leading countries of the world have increased by about $1½ billions since then. During the third quarter of this year alone there was a gain of about $350 millions. David Friday recently forecast that if the gain continues at the current rate for another year, there will be an additional billion of the yellow metal added to the grand total of the world's reserves by December, 1933.

This rapid increase in gold stocks, which, unlike stocks of other things, does not depress the price, is due to several factors. In the first place, production of new gold has increased rapidly in the past 3 years, the estimated output for 1929 being $400 millions; for 1930, $420 millions; for 1931, $440 millions; and for 1932, $475 millions, which will bring production back approximately to the level of pre-war years for the first time since 1915.

The increase in gold output, spurred on by the high price of gold in comparison with the cost of labor and materials needed to produce it, has been due mainly to larger output of South Africa, still the leading gold-producing area, and in Canada, which now holds second place.

The United States, which ranks third in the list of gold producers, is increasing output at a more rapid rate than other countries, in spite of the decline in the output of copper mines, one of the principal sources of gold. Cost of gold production has declined since the beginning of the depression, and important improvements in mining and metallurgical technique have made expansion of operations in old mines and reopening of abandoned properties profitable, as the prices of gold mine shares have indicated.

A second important source of additional gold stocks has been the release of gold from private hoards in India and elsewhere, and the complete withdrawal of gold from circulation in all European countries. Since the middle of 1931 about $250 millions of gold has come out of India, partly representing drafts on the savings of individuals under pressure of the depression in that country, where money is saved usually in that form, and partly reflecting the higher price which gold has commanded in the London bullion market since the depreciation of sterling, to which the rupee is linked.

The premium paid for gold in paper pounds has also led to conversion into cash of large amounts of hoarded gold coin and jewelry in Britain and in Australia. Exports of gold from Russia in payment for imports which were not covered by credits or by sales of Soviet products abroad have also added to the supplies in European countries.

Finally, the consumption of gold in the arts has declined from an average of about $70 millions to $80 millions before 1929 to about $50 millions in 1930 and much less today. In Germany and Russia, for example, gold used in dental work is strictly rationed by the government.

Increases in available stocks of gold from these sources have apparently been more than enough to offset any increase

arding of gold. Figures for the , the only ones available, show that coin in circulation has been de- ing about $5 millions a month July, when about $454 millions outstanding. If France undertakes December to put into effect the pro- ns of the stabilization law of 1928 h contemplate beginning coinage of franc gold pieces, the figures for stocks of the central banks may r a sharp reduction, for the French famous metal hoarders. France is having difficulty in carrying out the isions of the stabilization law which ire coinage of silver pieces to re- e paper notes of 5, 10, and 20 cs, for fear that the silver will dis- ar into French socks as the new inum-bronze and nickel-bronze ntime ($\frac{1}{10}$¢) pieces have done.

uriously enough, Germany's experi- is the reverse. The Reich has been g to increase the circulation of sil- coin because it doesn't require, as r notes do, any gold reserve and so es possible a little currency inflation out showing up in the Reichsbank ment. About $400 millions have put out, but the new silver coins being returned faster than the hsbank can distribute them. So h silver subsidiary coin has been d in European countries outside of ce that it is tending to depreciate there is a shortage of small paper.

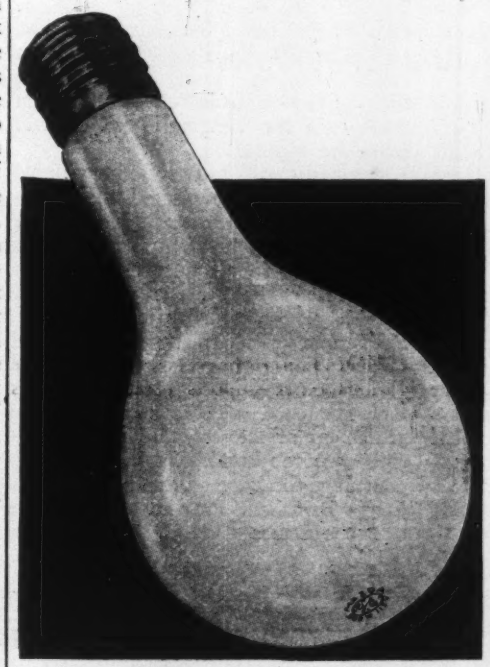
he figures showing the increase in holdings of central banks and gov- ments are being cited to prove that e is no shortage of gold, and that amount of gold available has had ing to do with the depression. The es of course do show rather that e has been an increasing shortage of in the sense that there has not been much of it available as everybody ted to get. Nations and central ks do not scramble for something of ch there is plenty, nor do they hold o it for dear life when they get it if e is lots more to be had. The crucial t is not how much gold there has piling up in the central banks of world as a whole, but in what cen- banks it has been accumulating and t they have done with it by way of ding an adequate structure of credit chasing power on it. That is a dif- nt story about which the figures of Federal Reserve Board say nothing.

rst Traffic Manual

ST of its kind, the railroad asserts, Cotton Belt has issued a compre- sive traffic manual for distribution ionally to shippers, and to traffic men its own route.

he book contains distances between 000 cities, an abstract of the Western ssification, comprehensive rates and vice charts.

You don't need to worry about these technical facts:



1 The filament is the heart of the lamp; it must be right.

Edison Mazda Lamp filaments are 99.9% pure tungsten; they are measured to half the diameter of a human hair by weighing a given length on an instrument so delicate it will register even a pencil mark!

2 Bulbs of Edison Mazda Lamps must be free from bubbles or other disfigurations. To obtain such glass, sand which is 99.7% pure silica must be used. It is shipped to the glass works in specially built tank cars, as carefully sealed and guarded against dust and other contamination as a shipment of milk!

3 Four hundred and eighty processes, inspections and checks are involved in the making of an Edison Mazda Lamp. That's how quality is safeguarded every step of the way.

But you don't need to worry about these and countless other technical facts if the lamps you use bear this mark (GE) on the end of each bulb.

EDISON MAZDA LAMPS

GENERAL (GE) ELECTRIC

General Electric manufactures lamps for all lighting purposes... lamps for home lighting and decoration, automobiles, flashlights, photography, stores, offices and factories, street lighting and signs. Sunlight Lamps, too.

Europe Is Building

Europeans are contracting for some large construction projects. There are more to come. Germans, scouting for foreign business, have booked big orders, noted other hot prospects.

BERLIN—Not all business is blundering downward. German construction engineers created quite a stir in Berlin recently by announcing new contracts. More than $10 millions' worth of railway material and rolling stock has been ordered by the Turkish government. Latvia has contracted with an American firm for the construction of a $6-million electric power project, but Germans are hoping to get some of the contracts for the electric units to be installed. Copenhagen has not yet announced contract awards on the huge new railroad bridge—to be the longest in Europe—which will connect the islands of Zeeland and Falster and cut the running time from 11 to 10 hours between Berlin and Copenhagen. Germans expect the British to get this business, because of the new tendency in Denmark to "play ball" with Britain in the hope of holding a larger share of the British butter and bacon market.

German engineers who have been combing Europe for business have found themselves handicapped by 3 factors: (1) preference given to competing countries for political reasons or from motives of commercial policy; (2) lower prices quoted by countries with depreciated currency; (3) lack of capital and cheap credit in Germany and, therefore, difficulty in financing the construction jobs offered in competition with powerful financial rivals.

Since the days when the Kaiser dreamed of a Berlin-to-Bagdad railroad and pushed his ambition well through Turkey, German railroad engineers have executed important contracts in the old land of the Sultans. Recently, business has lagged because of the financial problems in republican Turkey. It is only recently that the aggressive Mustapha Kemal decided that conditions in Turkey were in shape to allow the country to undertake the re-equipping and modernizing of some of the Turkish rail lines. Krupp, the German Steel Trust, Gutehoffnungshuette, and Henschel & Sohn—financed by a German banking syndicate headed by the government-controlled Dresdner Bank—are the companies which will share the contract.

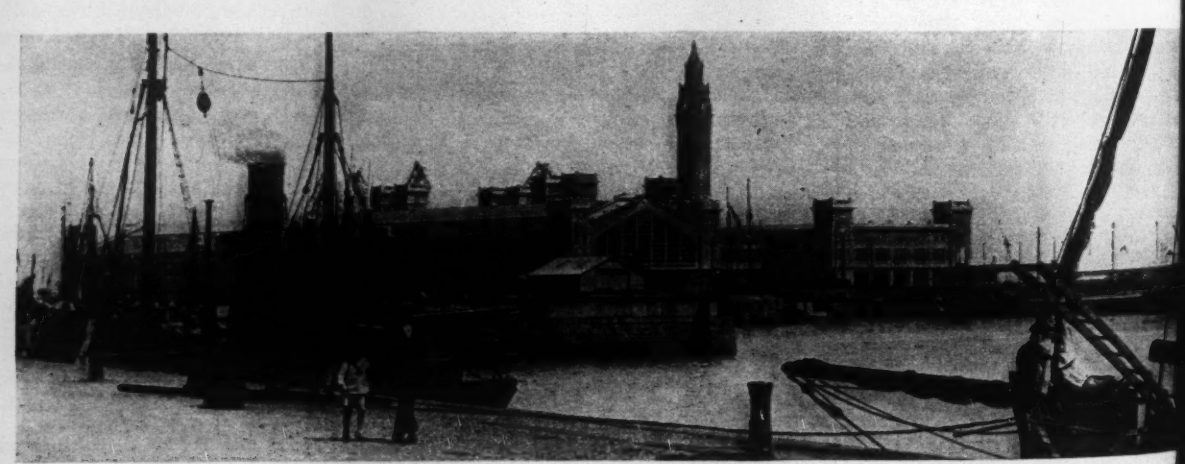
Germans are bitterly disappointed that they have not secured the much-coveted Danish order. No bigger bridge construction plant is now under consideration in all Europe. Germans have always been large suppliers of Danish heavy construction materials. But recently, Germany has banned Danish butter imports, and quotaed various other imports until the Danes have retaliated. There has been some settlement of late, but German concessions are too small and too tardy to encourage the hope of securing the business. Britishers are holding a club over the Danes. It's an "order for an order" these days. Heretofore, British have bought far more from Danes than they sold to them.

Loss of the $6-million Latvian c tract was a surprise to Berlin. gineers have been in Riga for s time, surveying the project for erec a huge power plant on the Dvina r to supply the capital with electri The American Foundation Co., alre well-known in Europe for-such proj as the vast reclamation of the Va swamps near Saloniki in Greece, sec the contract in competition with German Lahmeyer Electrical C Germans declare their price was lo than any other but that they could compete with the American financ

The one hope of German indu now is pinned to the provision in contract under which the Latvian g ernment has reserved the right to de mine the country from which the chines for the power plant are to supplied.

Fully aware that German firms h been at a great disadvantage in competitive field because they could provide adequate financing of their c tracts, German contractors are dicke with common interests in the "rich countries. It is planned to form a g international consortium and go a the huge contracts which are avail in several parts of the world. Br participants in the scheme are Dom Long & Co., Ltd., Hannen & Cub Ltd., and Limmer & Trinidad L Asphalt Co., Ltd., London. Promi on the German side are Philipp H man A.G., and Julius Berger Hoch Tiefbau, A.G.

One of the avowed objects of German members of the Internati consortium is to obtain a share Chinese construction schemes thro the British group recently formed that purpose and headed by Dom Long & Co. (*BW—Jun8'32*).



OCEAN RAILROAD STATION—Transatlantic liners will pull in and out of this new maritime station at Cherbourg railroad trains. Tenders, now used, will be obsolete. Paris trains will run to dockside. Port improvements alone cost millions; the station, which cost $2½ millions additional, is the largest building in France, except for the Palace of Versa Faster transshipment and train time will save hours between New York and Paris. Service starts next spring.

Aside from tnese international hemes, big projects are under con-deration in various countries. Sweden planning electrification of important tions of the state railways. Total ders will run to $10 millions; most the equipment will be produced mestically.

Germans have been cheered by the provement in internal conditions in cent weeks. Traveling agents report fair volume of business available in her countries if the world economic nference can make any progress in sing monetary difficulties. They are ing the interval to canvass the pros-cts, do some advance selling—not ithout stiff competition.

ermany Votes

itler's influence was curbed, indenburg's increased, in the erman parliamentary elections. o party polled a majority.

ERMANY'S elections, the fifth in 8 onths, came out just about as every-e expected. No party came into ower, but the country is pretty well eased with results.

Hitler lost heavily but a larger num-r of his followers were elected than any other one party. The Com-unists gained the most new seats in e Reichstag. Hindenburg is still in ntrol. He is likely to maintain the on Papen cabinet, with possibly a few anges, and continue the present gov-rnment policy. The Reichstag, if it convened at all, probably will dis-lve exactly as it did in August when o majority could be formed to back cabinet.

Business has all along expected this sult. There are likely to be few re-ercussions. In the next 2 weeks pecially, during the usual political uce following the voting, political ctivity will be at low ebb.

The political future is uncertain. Ac-rding to the constitution, the new eichstag should be convened within a onth. If it is not called, Germans ould consider that the Wiemar con-itution had been permanently aban-oned and that the country had given p the last attempt at constitutional overnment. If it is convened, it is most sure to be dissolved at once be-use of the inability of any single arty or any group of parties to form a ajority able to support a govern-ent.

Von Papen's recovery program is ex-ected to carry on without interruption. ll Germany has been encouraged by s effectiveness, is eager to give it a orough test over a much longer period. he only obstacle it has encountered so ar is the opposition of industry to the mport quotas on foodstuffs which have rought a wave of anti-German hostility

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THE ELECTION IS OVER . . .

LET'S GO

One more excuse for inaction has been relegated to the discard. The business man who has been saying . . . "Wait 'til after election," has got to think up a new one.

Whether your candidate won or lost is now a matter of only academic interest. The important thing is to face facts as they are . . . and start doing something. The time for inaction, the time for waiting . . . is past.

Business will pick up when business men finally make up their minds *to sell.* A depression-weary public wants to work, wants to buy, wants to live. Despite depleted income, and attenuated wages there's still a lot of buying power left. It's the selling power that is lacking right now.

This publication and others are full of news items relating the *successful* efforts of certain manufacturers who have seen the light and set out to sell. Even the year 1932 has shown some conspicuous examples of aggressive advertising and successful selling.

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Photo by Keystone View

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Bus Transportation
Aviation

Textile World

Factory and Industrial Management
Maintenance Engineering
Power

The Business Week
Management Methods

among foreign customers, and the refusal of farmers to support the government unless these quotas are enforced. For the time being the matter is being allowed to rest. However it is decided, it is almost certain to cause certain cabinet resignations. Berlin still believes this is possible without the overthrow of von Papen and the "backbone" members of the "baron" cabinet.

Markets have remained undisturbed by the political uncertainties, but abroad they reacted upward as soon as the returns were known.

Foreign Farmers

Argentina has decided to help the farmer get his grain to market. Elsewhere the farmer is helping himself by cutting his acreage.

THE Argentine farmer has long been cursed with inadequate facilities for storing his farm produce. In addition to inadequate financing, this has often caused a rush of products on the market. Now the government has come to the aid of the farmer. Special credits will be granted for both the harvesting and threshing of grains.

The plan was tried out experimentally on a small scale last year. It was so successful that this year it is to be expanded. Money may be borrowed for the harvesting and threshing of wheat, barley, oats, and flaxseed. On harvesting, loans are made on a basis of 5 pesos (about $2.93) per hectare (about 2.5 acres) of grain. For threshing and bagging, loans up to 1½ pesos ($0.88) for each 220 pounds are allowed.

In addition, advances are made on grains in storage. If the grain is stored on the farm, an advance of 5½ pesos is made.

The advances on other grains are relatively smaller. No loan is to extend beyond March 31, 1933. The government takes a crop lien as security. This year interest will be charged at 6%, which is ½% less than last year, and is lower than the current rates for commercial loans.

Argentine farmers find themselves in an unusual situation this year. Crops are good and facilities for helping them to market are improving. But markets are smaller. Britain has long been a favorite outlet for Argentine produce. Since the Ottawa conference, Argentine wheat faces a 6¢ handicap on the British market. When the next crop moves (in December and January) it will have to compete with Australian wheat with a British preference, and with Canadian (also with a preference) and American hold-over crops (*BW—Nov9'32*). To ease this situation, the government has offered this new cooperation.

Elsewhere in the world farmers are cutting their crops in the hope that reduced production will force the absorption of surpluses, the raising of prices to profitable levels. World sugar production, for example, during the season just ended totaled less than 29 million short tons, or 9.3% less than the previous year's record crop, and the smallest output since 1927. Beet sugar production in Europe was down 30%. Cuban sugar output was off 17%, and the Java crop dropped 8%. The Philippine crop, on the other hand, is the largest on record and amounts to more than 1 million tons.

Flaxseed acreage in Argentina, according to reports to the United States Department of Agriculture, has been cut 16% this year. Locust damage, drought, and frost caused most of the reduction. Yield is only fair.

There was a decline of 21.6% in the combined exports of wool from Argentina and Uruguay during the season ending in August.

Cuba's important winter vegetable crop has been drastically curtailed this year, due principally to the lack of financing the crop to market. Early plantings of tomatoes were nearly 50% less this year. The lima bean crop is expected to be 40% smaller. On the Isle of Pines, 150 acres were planted in peppers last year. This year, plantings covered only 20 acres. Cucumbers have been planted on 450 acres, compared with 600 acres last year. Egg p[lant] acreage has dropped from 150 to [20] acres. Okra and string beans, howe[ver] have been planted in larger vol[umes]. The potato and onion crops are l[ikely] to be about the same as last year.

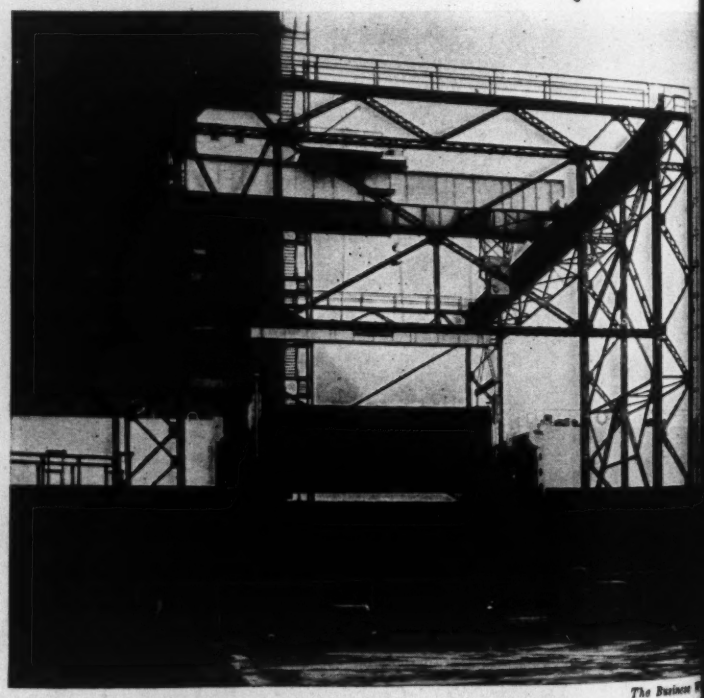
Turkeys are so cheap in the Uni[ted] States this year that the Cubans h[ave] cut their shipments from 5 mil[lion] pounds last year to barely 300,[000] pounds this year.

Baby Bonds

Chinese issues, priced in penni[es] set a new low record.

IN Shantung, where the Chinese far[mer] specializes on peanuts and millet [and] kaffir corn, his average annual cash [re]turn is said to be $36. In the g[reat] Yangtze valley the farm income is [re]putedly greater. But in the vast west[ern] desert regions it is less. Nowhere [in] China does the farmer look like a bond-buyer.

Yet last month, Chinese who h[ad] set up a Soviet of their own in [the] region south of Hankow, floated a b[ond] issue for $600,000. Bonds with a [face] value in silver of $5, $1, 50¢ and [25¢] were offered. The 30¢ bond at curr[ent] exchange rates, would cost about [$1] in American money. Within 15 [days] half of the issue was sold.



The Business W[eek]

TRAINS GO TO SEA—Hoboken wharf loungers gaped when the big N[ew] crane dropped loaded freight cars through the slot of "S. S. Seatrain N[ew] York." The huge steel track cradle fits flush with the railroad siding; swi[tch] engines spot cars on the lifting tracks which are lowered into the ship [by] an elevator in its shaft. Stopped at one of the four decks, a car puller sn[ags] the car onto the rails; it is then locked into position for the voyage.

Wide Reading

HAT IS TECHNOCRACY? Wayne W. Par- *New Outlook*, November. Al Smith's mouthpiece takes up the problem of ad- ing unemployment to increasing use of machine.

EW PRODUCTS FOR THE BUS INDUSTRY. *nit Journal*, November. Survey, illus- ed, for outstanding new products.

HAIN STORE MODERNIZATION ACTIVE. *in Store Age*, November. Survey reveals ns are modernizing even during depres- Which groups are doing it; characteris- of new layouts; costs.

OVIET ASBESTOS ON THE AMERICAN RKET. *Economic Review of the Soviet on*, Oct. 15. The Soviet point of view he recent controversy on export sales to United States.

APAN DRIFTING TOWARD DEFAULT ON FOREIGN OBLIGATIONS. *China Weekly iew* (Shanghai), Oct. 1. Chinese view d thus biased) of Japan's new problems maintaining foreign service charges with yen depreciated more than 50%.

REMIUM BONDS. Charles T. Hallinan. *m*, November. How France protects the ll investor. Interesting sidelights on a rent psychology.

TATE UNEMPLOYMENT INSURANCE. Bryce Stewart. *Personnel*, November. What ous states have accomplished in setting unemployment insurance; how various s function.

ETTING DOLLARS FROM "RESTRICTED KETS." William S. Swingle. *Export de & Finance*, November. Credit men's iry elicits definite data on the actual effect exchange restrictions on payments due ad.

OREIGN EXCHANGE CONTROL. E. B. Diet- *Export Trade & Finance*, November. the methods of "fiscalizing exchange" applied in various countries.

REPORTS—SURVEYS

OVERNMENT COMPETITION WITH PRI- E BUSINESS. Report of the Committee on vernment Competition, Chamber of Com- ce of the United States, Washington, 39 Growth of public activities analyzed.

INANCIAL POLICIES OF PUBLIC UTILITY LDING COMPANIES. M. H. Waterman. versity of Michigan, 186 pp., $1. Requi- of a well-managed public utility holding pany and some faults in management in nt years.

OMMERCIAL TRAVELERS' GUIDE TO THE EAST, 1932. Department of Commerce, shington, 389 pp., $1. For the company utives responsible for export trade with Far East.

HE DECLINE OF THE BITUMINOUS COAL USTRY IN PENNSYLVANIA. Greater Penn- nia Council, Harrisburg, 20 pp. One brief summaries on the changing trends ituminous coal production, employment shipments; striking charts and data.

BOOKS

HORTER HOURS. Marion C. Cahill. umbia University Press, 300 pp., $4.50. study of government, trade union, and ployer regulations working toward shorter rs in industry.

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B.W. 11-32

Business Abroad

World business accepts election results calmly. Success of the British conversion, possibility of Franco-Italian co-operation for disarmament, and continuing recovery in Germany have improved sentiment. Tariffs remain a major problem. The Orient and Latin America are quiet.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—In almost every financial capital in Europe there was a stock-taking this week. Germany, it was noted, had concluded another indecisive election (as far as creating an effective parliament is concerned), and the United States followed the most widely accepted forecasts and elected the Democratic representative.

Analysis of these 2 elections occupied a good deal of attention. In Germany, the decline—by 2 millions—in the Nazi vote was taken to mean that Hitler had passed definitely the zenith of his power. Though the future of the Reichstag is uncertain, it is confidently expected that Hindenburg will maintain a semi-dictatorial cabinet in power and that present constructive measures will be carried out.

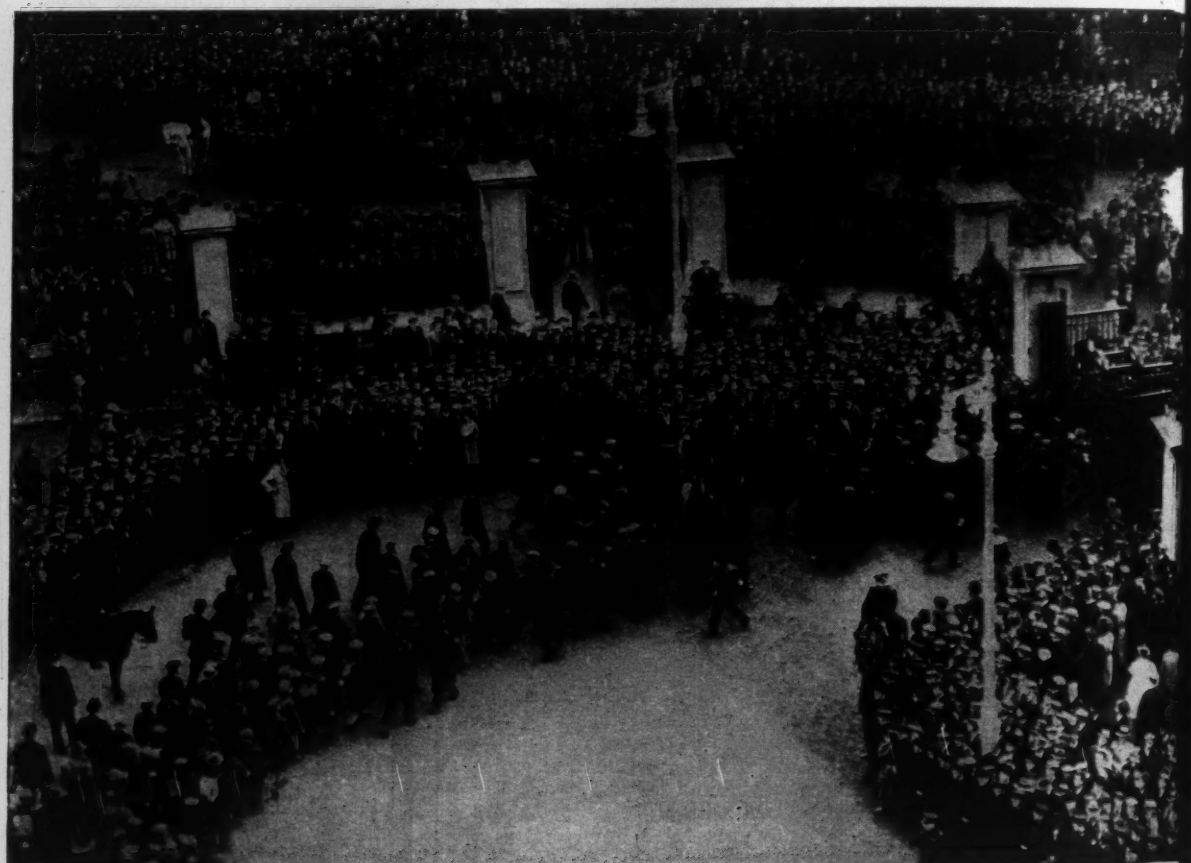
Concerning the United States, results have already been discounted. Europe is inclined now to look for a more lenient tariff policy and expansion of foreign trade. Had Hoover been re-elected, stress would have been placed on the probability of prompt settlement of the reparations-debt problem.

There was not time this week for n policies to get under way, but the b informed authorities expect things move soon.

Beyond the 2 elections, the Her move to effect a Franco-Italian acc on disarmament, and the British succ with the fifth and last of the gove ment conversion instalments were m discussed. Both influenced busin favorably.

Among the other favorable devel ments which had more or less influe here and there were the ending of British spinners' strike, the reported cline in the number of jobless in b Britain and Germany, steadier sterl exchange, the improved condition of Reichsbank, increasing activity in textile mills in Germany, France, England, and the volume of const tion which has been announced o being discussed (page 22).

Less favorable were the troul which have developed between Germ and her neighboring customers over threatened German food import dut the determination of Britain to t Irish imports as non-empire and h without preference despite the fact Irish have shipped virtually 95%



Central P

HUNGER MARCHERS—Britishers on the dole plod stolidly into Hyde Park, later to stage a demonstration before gates of Buckingham Palace to protest the "means test" under which their poverty must be proved. This time they w scattered but this winter will likely see them back. With over 2½ millions unemployed, Britain's situation is serious, swing to the left pronounced. Officials noted that even the hunger marchers looked pretty well fed.

their exports to the British market for years; the threat from Czechoslovakia that American rubber-soled shoes and tires may be prohibited in retaliation if the United States bars Czech products; the inability of the preparatory committee for the World Economic Conference to agree on agenda and policies; the extension of the Hungarian standstill agreement; transfer of only a portion of the Bulgarian interest due on foreign loans.

Net changes for the week are actually small, though the psychological position has improved. Markets have held fairly firm and there is a possibility recent improvement will continue.

Great Britain

Business finds encouragement in the government's successful conversion and in the termination of the spinners' strike. Little interest in plan for Farmers' Cooperative. Tariffs create cabinet problems.

LONDON (*Cable*)—Britishers still manage to find reasons for optimism. This week they were encouraged mostly by the ending of the spinners' strike and the return to work of the 170,000 who had been out, and by the success of the government's fifth major conversion, which completes the conversion of all Britain's long-term credits from a higher to a 3% basis. Conversion operations since July have already saved the country $38 millions in annual interest.

Employment returns at the end of October also were encouraging. The number of jobless has now fallen 111,000 since last June, though the total of those wholly unemployed is up 20,000 in the low for September.

Despite the fluctuations of the pound, internal prices are slightly down. Hosiery, rayon, and woolen mills report better business, but the cotton division has suffered from the recent spinners' strike. Coal is fairly active.

Stock markets have suffered from recent uncertainty and from the unevenness of sterling, but foundation firmness has been maintained.

London has failed to take up with any enthusiasm the announcement of the formation of Empire Farmers' Cooperative. It has been announced officially that the organization has been formed with $5 millions of capital, with the support of the country's most prominent agriculturists and farmers' associations to control the production of foodstuffs, stabilize prices to consumer and producer, exclude the middleman and nationalize distribution." Londoners doubt it can be successful, are showing only mild interest in the whole proposition. Most critics anticipate merely an extension of the general policies of the Empire Marketing Board.

London's free trade papers played up the resignation of Sir Walter Layton, British representative to the preparatory committee of the World Economic Conference. Newspapers representing the National government almost ignored it. As editor of the London *Economist*, Layton is one of the spearheads of the orthodox free trade school. His continued attachment to the MacDonald administration has been a source of annoyance to the Tory wing, and his resignation is therefore not wholly a matter for regret. On the other hand, the recognition that the government policy has become "hard-boiled protectionist," though it still lacks definition as to its ultimate aim, has done much to shake the confidence of those Liberals and right-wing Labor voters who put the National government into power at a time of panic.

The position of Britain's National government is not, in fact, as happy as it may seem on the surface. The situation inside the government today may be roughly summarized as a growing difficulty between Premier MacDonald and Chancellor Chamberlain. Chamberlain is determined to push the present imperialist-protectionist policy to its furthest conclusion; MacDonald (an old free trader and bitter anti-imperialist) has grown uneasy and may at any time endeavor to halt Chamberlain's progress. A consciousness of this under-cover cabinet disharmony helps to make the undertone in the city of London a little uncertain.

France

Paris accepts optimistically the results of the American and German elections, the new prospect of Franco-Italian cooperation for disarmament. Budget deficit still a worry.

PARIS (*Wireless*)—French business opinion was distinctly more optimistic this week, but executives culled most of their new hopefulness from outside the country.

Elections stimulated most hope. The decline of Hitlerism in Germany and the prospect of continued recovery in that neighboring country, plus relief that the American campaign is out of the way, buoyed depressed sentiment. The French are inclined to accept Roosevelt as a distinct Francophile in contrast to Hoover who, in their estimate, has been too pro-German in his sympathies. Also, they are more hopeful of tariff concessions from the Democrats.

Herriot's bold bid for Franco-Italian cooperation in the Mediterranean certainly did not go unnoticed. Both France and Italy reacted favorably to this new move for cooperation. In

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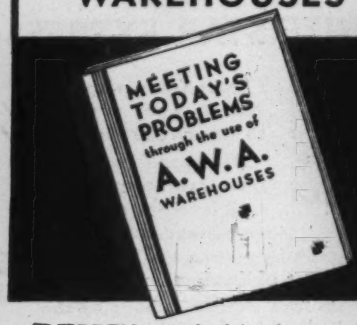

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Paris, the trend is attributed to the influence of Norman Davis and to the approval of the British, who have been following a considered policy to encourage Franco-Italian accord on disarmament. Paris, just now, is even talking of the possibility of the present tendency's going so far as to create a 4-way entente with Britain, France, Italy, and Spain. This would mean a cooperative policy in the Mediterranean, particularly in handling the thorny problems in connection with North Africa.

Actual business registered few changes during the week. Coal and textiles are still the only industries reporting any considerable gains.

The budget deficit is the country's major business worry. Herriot's promise to make every effort to balance the budget by sagacious economies as well as by reasonable tax levies is creating a growing belief among executives that he is sincerely trying to avoid the unsound financial policies featured in 1926.

It is an interesting commentary that, where Herriot and financial aides plan to make many cuts in various items of expense, in one there is an increase. That is the provision for spreading French propaganda abroad. The French are convinced that much harm has been done to French interests by the lack of information, or by prejudicial reports, spread by anti-French organizations. This, Americans in Paris know, is particularly aimed at W. R. Hearst.

Budget discussions have brought out some interesting reactions of late. The treasury, obviously, is going to need to borrow extensively this winter and yet any large-scale borrowing will present its difficulties. Loans, to which the French public will be called upon to subscribe, even in the next half year, are quite important. Before the end of the year, it is expected that there will be a $120 million North African loan, $40 millions for Algeria, another $40 millions for Morocco, and $4 millions for Tunisia. Other large credit operations on the way include the $60 millions needed to cover the lately unconverted rentes; $60 millions already authorized for covering the 1932 railway deficit in part; $80 millions for public works for the city of Paris; $20 millions for reconstruction.

Besides these major demands for public financing, provision must be made in the first half of 1933 for nearly $160 millions for closing out the 1932 railway deficit; $80 millions for the deficit of Postes, Telephones and Telegraphs; $40 millions for the Crédit Foncier de France; and $80 millions for the Compagnie Nationale de Rhone. A further public works program, already discussed, may conceivably necessitate another public issue for $400 millions.

These are a few of the financial worries facing the French. Executives are aware of them, and of others (page 20).

Germany

Recovery persists. Elections are over; government by decree is expected to continue. Employment is improving. Coal, textiles, and steel are especially bright spots this week. The quota plan is the greatest trouble-maker.

BERLIN (*Cable*)—Germans are almost optimistic this week. The elections are over. The Berlin transportation strike is petering out. Von Papen's plan is working. Industry is improving slowly but steadily. The number of unemployed is decreasing. Markets are again active and prices are slightly up. There is a prospect now of several months of comparative political calm. Germany needs all the calm possible so that every bit of attention can be devoted to business.

The elections turned out about as business expected they would. The Nazis, Hitler's party, lost more than 2 million votes compared with the last effort in July to elect a Reichstag with a party, or coalition, majority which would support the government. No majority is possible in the newest Reichstag. As a matter of fact, probably about 90% of the new members are anti-Papen. It seems evident that for some months the country must be governed by a semi-dictatorial régime. That means that the present Hindenburg-appointed cabinet, with possibly some changes, is likely to remain at the helm. In general, their policies have aided the country. Naturally, public opposition to non-parliamentarianism is decreasing.

In the entire von Papen program there is only one flagrant weakness. That is the import quota proposition. It was obviously a bid for agrarian support. It was not expected that it would create such a stir abroad. But it has. Neighbors near and far refuse to accept it. An anti-German boycott is spreading. The government, pressed by industrialists to abandon the plan, was afraid to give it up completely before the elections because of the reaction on the farmers. So it was allowed to remain inactive except where quotas had been already imposed. It is in the adjustment of this policy that cabinet shifts may become necessary.

Favorable news continued to drift into Berlin all week. The government's current report stresses the decline in the number of jobless, contrary to the usual seasonal trend. Both the number of laborers, and the hours worked, increased. The workmen's sickness insurance associations reported that the number of employed members rose in September by 80,000, which is strikingly in contrast to last year when employment declined 250,000 in the same period.

Industrial improvement has been particularly evident in textiles. The Deutsche Baumwoll A.G., largest German cotton concern, declares it has unfilled orders sufficient to keep its plants fully employed till after the end of the year. The Stoehr Kammgarn A.G., outstanding wool concern, has increased employment 40% in the last month, even reports a shortage of skilled labor. Rayon mills are more active on a fair volume of foreign orders which supplement the domestic upturn.

Heavy industry is also recovering. Scrap iron is more active. Steel exports are up to Scandinavia, Holland, Argentina, and the Far East, and the Soviets are back in the market with orders for a fair volume of materials. Siemens is optimistic over prospective electrical business and the General Motors-controlled Opel works announce that the recent influx of orders makes it necessary to increase plant activity from a 2-to-3-day week, to a 5-day basis. Ruhr coal sales are up.

Bankers are encouraged by the remarkably easy position of the Reichsbank, whose discount portfolio has declined almost without interruption for the last few months. The successive cuts in the discount rate since the beginning of the year have not tended to increase the demand for credit on the part of industry and trade. On the other hand, the improvement of the credit situation of the Reichsbank as evidenced by its last statement of Oct. 23 is mainly attributed to repayment of loans by savings banks, in itself a most encouraging indicator.

Latin America

Colombia and Peru still threaten war. Chile plans barter with Argentina and Peru to supplement recent bargain with France. Packers quarrel over British market.

SIGNIFICANT business changes in Latin America during the week were too few to distract public attention from the continued lack of harmony between Colombia and Peru. In fact, Ecuador entered the picture this week with the threat to send troops to the eastern border "in case the dispute becomes involved and spreads beyond the frontier of the 2 indignant participants." And from Quito there came the rumor that penny-pinched Ecuador may sponsor a $1 million war fund "for possible emergencies."

Chile was concerned in 2 encouraging reports. Negotiations with Peru have resulted in the signing of a temporary trade pact whereby the 2 countries agree to maintain present tariff rates and promote further trade. Peru, for example, agrees she has had the better of the bargain for years in being able to sell sugar to Chile without taking much of anything in return. Now a Peruvian delegation has visited Chilean industries and reported favorably to Lima on the quality of products in several Chilean shoe factories, textile mills and prepared-food factories in Santiago. More trade may develop.

At the same time, Valparaiso merchants have turned a little less gloomy on the prospect of settling some of their debts to France through the new barter scheme whereby the French agree to take Chilean nitrate in part payment. More business may result before the plan goes very far. And an Argentine firm has offered to take nitrate and copper in return for a Chilean order for gasoline.

Meat packers in Argentina, Brazil, and Uruguay were in conference a week ago trying to reach some agreement for a cooperative plan to market their products on world markets, but little was accomplished. Principal discussion centered around the various quotas which would be assigned on the British market, now that non-empire products can come in only on a restricted scale. The Argentine Minister of Agriculture declared that when the quotas were fixed by London, Argentina would supply 86.89%, Brazil 6.22%, Uruguay 0.89%.

Far East

China plans to rebuild Chapei on modern pattern. Japan continues to sell to advantage abroad but the declining yen makes payment to gold standard countries difficult.

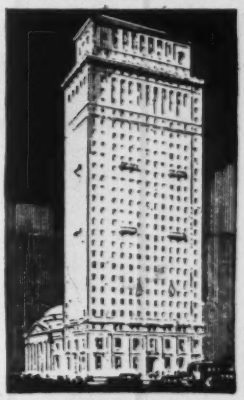
BUSINESS is quiet in the Far East.

Outstanding in the news from China this week was the report that Shanghai is planning to supervise reconstruction of devastated Chapei, where Chinese and Japanese fought less than a year ago. A 3-year plan of reconstruction has been drawn up. Modern streets will be laid out and no property owner will be allowed to put up a permanent structure until the survey is completed. It is the intention of aggressive Chinese leaders to create a modern industrial area here which will compare favorably with the International Settlement.

Japan is quiet. Exports continue to mount. The paper, cement, iron and steel, and textile industries report increasing activity. Cotton mills particularly are busy with export orders.

The yen continued to soften during the early part of the week, giving exporters a further advantage on foreign markets but making more difficult the problem for the importer of raw cotton which comes mainly from the United States where prices are low but the problem of mounting the gold standard barrier increases as the yen depreciates.

For Attorneys



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The Figures of the Week

Pre-election uncertainties tended to slow down business activity. Automotive makers take up the slack left by the miscellaneous steel consumers. Coal, construction, carloadings declined. Commodities are firmer.

ELECTION hesitation has left its mark on the steel industry, though the outcome was pretty well discounted in advance. Miscellaneous consumers who have been the mainstay of the industry in recent weeks are giving less support to steel activity now. Predictions on the trend of unfilled orders of the U. S. Steel Corp. at the close of October do not lean definitely one way or the other, a gain or loss being equally possible. Prospects for the current week are regarded favorably by *Steel*, which anticipates a gain from 20% to 22% of capacity, while *Iron Age* feels the general average to be slightly under 20%.

October steel ingot production passed a million tons for the first time since May, gaining 9.6% over September. Activity is estimated at 19% of capacity compared with slightly more than 17% in the preceding month. The gain was smaller than the 21.6% rise in September over the depression low in August, a result which the pig iron figures forecast last week. For the first 10 months of 1932, steel activity has averaged practically 20% of capacity compared with 40% in 1931, a rate considerably below a profitable level for any steel company.

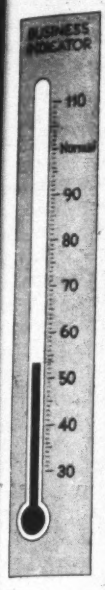
Demand from the automobile centers is beginning to dribble in, with Chrysler supplying the greatest impetus. Production on the new Plymouth models is going forward on a 5-day week basis, with output lifted from 200 to 1,000 cars a day. Chevrolet and Buick have released orders for prompt delivery of substantial tonnage. Ford, too, has turned in sheet orders for parts of 7,000 cars, but operations at the Rouge plant remain on a 3-day week schedule, 1,200 cars per day. Employment at Detroit at the end of October rose to 42% compared with 37.4% in September, a rate practically identical with the 41.7% of a year ago. Cleveland also reports a 15.6% gain in employment among automobile parts manufacturers. According to *Steel*, automotive sheet releases have enabled sheet mills at Cleveland to operate at 40% and at Detroit at 35% of capacity, highs for the year. Whether this level will be maintained remains to be seen. The replacement market for cars is undoubtedly great, but the controling factor will still be purchasing ability.

Hope that the railroads would save the day for steel is rapidly dwindling. Releases against old contracts have permitted a couple of rail mills at Pittsburgh and Chicago to operate for a short time. Western Maryland purchased 1,600 tons of rails. A number of Western roads have been holding off their commitments until after the election, and since this is now out of the way, it will be interesting to see what takes place. Buying for repair purposes was in evidence this week, but the tonnage was not great.

The record of railroad equipment buying this year is practically nonexistent. *Railway Age* reports one locomotive ordered in June and 30 passenger cars in January. Freight car orders in October were nil, according to *Steel*,

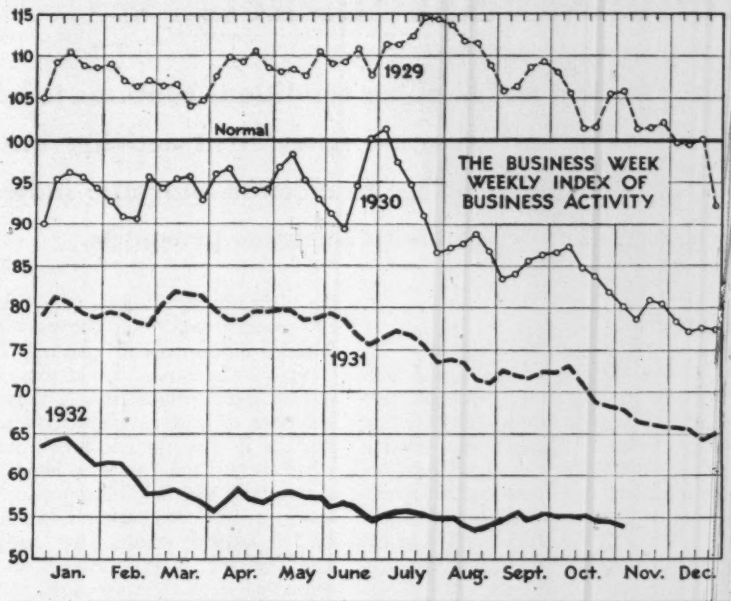
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
PRODUCTION				
Steel Ingot Operation (% of capacity)	*19	20	31	59
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,528	†$4,907	$8,735	$16,789
Bituminous Coal (daily average, 1,000 tons)	*1,246	†1,308	1,336	1,663
Electric Power (millions K. W. H.)	1,525	1,533	1,628	1,670
TRADE				
Total Carloadings (daily average, 1,000 cars)	103	107	123	163
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	67	69	81	105
Check Payments (outside N. Y. City, millions)	$2,846	$2,587	$3,816	$5,716
Money in Circulation (daily average, millions)	$5,632	$5,608	$5,550	$4,945
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.42	$.43	$.60	$.98
Cotton (middling, New York, lb.)	$.062	$.062	$.067	$.151
Iron and Steel (STEEL composite, ton)	$29.32	$29.32	$30.63	$33.99
Copper (electrolytic, f.o.b. refinery, lb.)	$.051	$.051	$.067	$.126
All Commodities (Fisher's Index, 1926=100)	60.2	60.6	68.3	87.6
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,228	$2,222	$2,141	$1,578
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,026	$19,030	$21,147	$22,329
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,130	$6,139	$7,643	$8,808
Security Loans, Federal Reserve reporting member banks (millions)	$4,311	$4,307	$5,867	$7,215
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$362	$352	$849	$3,307
Stock Prices (average 100 stocks, Herald-Tribune)	$84.44	$84.67	$104.59	$142.92
Bond Prices (Dow, Jones, average 40 bonds)	$78.24	$78.92	$85.89	$94.02
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4.1%
Interest Rates—Prime Commercial Paper (4-6 months)	1¾–2%	1¾–2%	3¾–4½%	4.5%
Business Failures (Dun, number)	537	550	515	447

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



situation that occurred in April and June also. For the first 10 months, 1,687 freight cars were placed with builders, and the bulk of this represents the number to be built by the Pennsylvania Railroad in its own shops.

Fabricated structural steel business has also been stagnating of late. Only impending tonnage, largely by the grace of the R.F.C., relieves the dullness in this field. Our California readers apprise us of an error made in these columns recently in regard to bridges financed by the federal government. It is the San Francisco Bay structure that received the aid of the R.F.C., and not the Golden Gate. Bids for 200,000 tons of steel will be called for shortly on the former project, while for the latter some 10,700 tons of structural steel and 6,000 tons of bars remain unawarded.

October construction was disappointing in not establishing a fall peak as has been customary in 9 out of the past 13 years. Total awards in the 37 states covered by F. W. Dodge declined to $107.5 millions, or 15.7% below September. May, with a volume of $146.2 millions, is now the peak month of 1932. Against a year ago, October construction declined nearly 56%. The adjusted index at the close of October reached 24% of normal compared with 25% the preceding week.

Non-residential building slumped most severely during the past month, reaching a total of $27.1 millions, or 24.7% below September. Compared with a year ago, which had one more business day, the decline is 73.5%. The slump was most marked in the last 7 days of the month.

Public works and utilities rolled up a total of $58.5 millions, with the last week showing the best daily rate of the month. Value of contracts awarded, however, was 14.9% under September and 29.5% below 1931.

Residential building declined the least from the preceding month—only 4.2% —but in the past 8 years, October always bettered September. In the depression year 1931, the gain was as much as 11%. Awards were valued at $21.9 millions.

Coal output during the week of Oct. 29 declined in both the bituminous and anthracite fields, a trend not without precedent at this season. The adjusted index moved downward to 56%. Final figures on bituminous coal production during 1931 indicate that the weekly estimates were 99% correct in forecasting the annual output. While output declined 18.3% from 1930, value shrank 26%.

The fall rise in power consumption has been shared by both domestic and large commercial users, though the gain in September over August by the former was 8.6% and by the latter 3%. In 1931, domestic requirements of electricity caused about the same increase over August, but the commercial consumers discovered that they could manage on 3% less power.

A sharp decline in coal and miscellaneous carloadings forced another drop in the total freight shipments during the last week of October, but the spread from 1931 remains unchanged at 16.5%. The adjusted index lost a point, standing at 54% of normal.

By Nov. 1, the Railroad Credit Corp. had lent over $35.5 millions to roads requiring aid for interest payments. Some 5 states that had balked at raising intrastate freight rates the 15% required since January, 1932, have agreed to comply. It is from these surcharges that the R.C.C. receives funds with which to aid roads that are temporarily financially embarrassed. Since freight traffic never reached a substantial volume for a long enough period during 1932, the need for these funds continues almost unabated.

Check payments during the week Nov. 2 gained 10% in the 140 cities outside of New York, chiefly through the strength of the 9 large financial centers. New York City debits were only fractionally larger than in the preceding week. The index based on the past 2 weeks was down a point to 56%.

Currency circulation during the week Nov. 5 increased only $24 millions, which is largely accounted for by the first of the month requirements of trade. Bank suspensions during the same week rose to 26 from the 14 of the preceding week. During October, the daily average volume of currency outstanding declined $42 millions, with the trend continuing of further expansion of national bank notes in circulation and a decline in Federal Reserve notes.

Commodity prices have acted better since the opening of November than many other business indicators that have become shrouded in pre-election uncertainty. Non-ferrous metal markets were generally steady, with slight gains for tin, silver and lead.

The decline to historic lows in the grain markets came to an end Nov. 4 with fair rallies in wheat and corn. Cotton followed a similar course, but backslid on Nov. 7 from election and crop report uneasiness. Hogs, butter, eggs, cocoa, rubber, sugar, silk, and hides were higher.

The Financial Markets

Money market and banking conditions continue to invite revival of speculative and investment activity, but response of security prices to election outcome indicates persistent skepticism about business prospects.

Money

THERE was nothing of any significance to record in the stagnation of pre-election financial markets. The leading question now is whether the election decision, expected as it was, will remove any inhibitions and re-invigorate speculative activity now that it is over. The sudden spurt in the stock market in the last full session before election day suggested some speculative impulses straining at the leash.

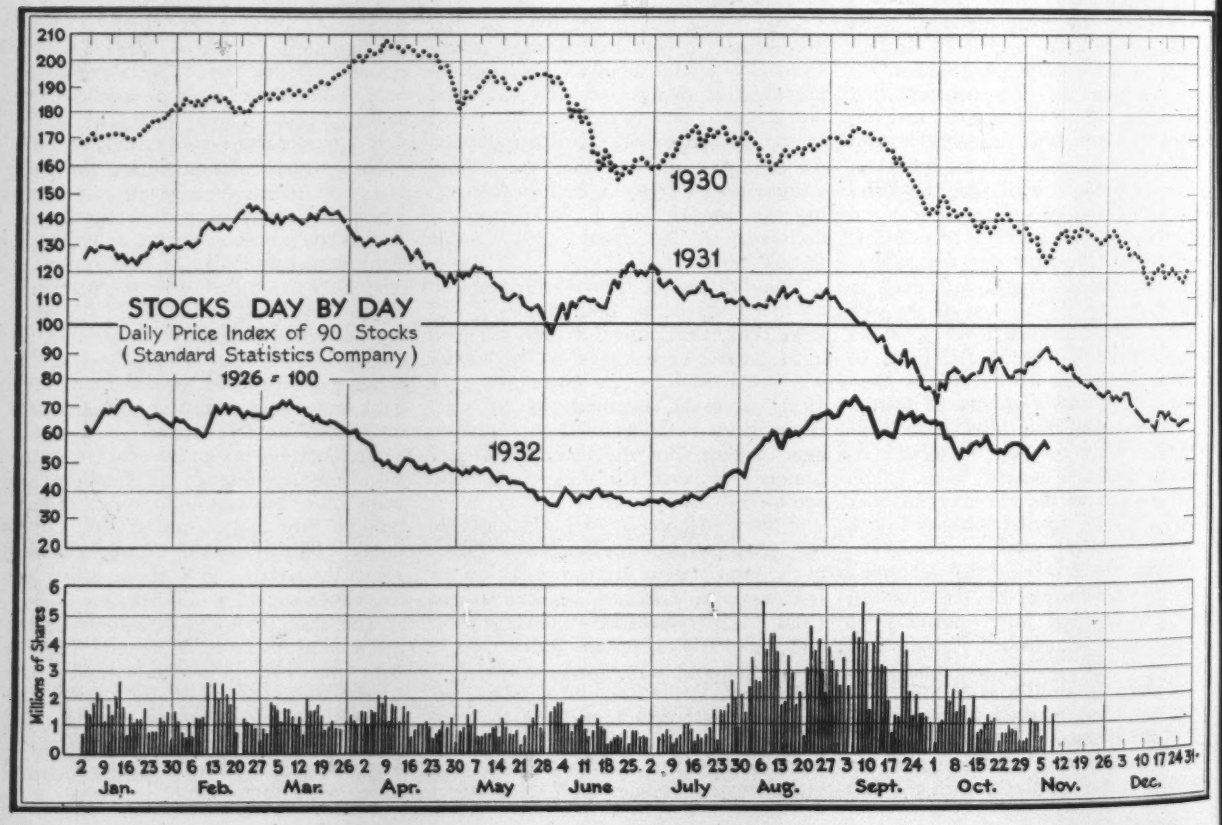
It would seem impossible that the static situation that has prevailed in money and security markets during the past month could continue much longer. The pressure of surplus short-term funds and excess bank reserves has become painful in New York, as the pathetic perfunctory interest rates that prevail there indicate.

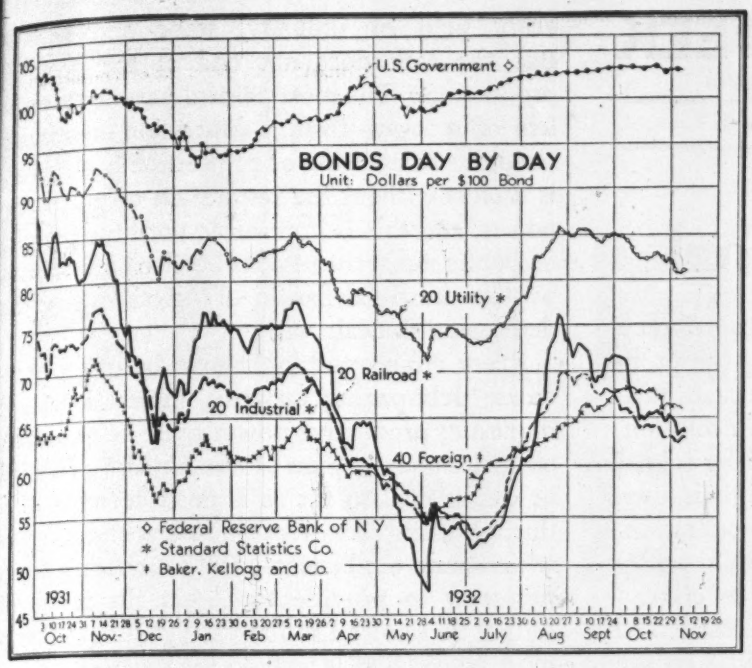
If the faith of those who believe in the ultimate effectiveness of a persistent easy money policy on the part of the Reserve authorities is justified, it may reasonably be expected that some of the surplus bank resources will show their influence at least in speculative security markets if they do not break out in a vigorous bull movement in bonds. This is normally the first consequence of an easy money treatment. Commercial credit demand comes later, after revival of the capital market increases construction and employment.

In the present situation there are many doubts about the flow of idle money either into stock speculation or bond investments. The election has by no means removed all uncertainties. Prospects for business improvement are still clouded; the seasonal rise this fall did not furnish a conclusive answer to the question of the long-range outlook. Commodity prices continue woefully weak. The complications which federal fiscal policy and the operations of the R.F.C. have introduced into the capital market grow more confusing; and finally, the spectre of inflation which oppresses the bond market despite the abundance of investment funds and the protestations of both parties has not been completely removed.

At any rate, the bank statements, still covering the pre-election period, show no decisive sign of change in the tendencies that have characterized them for several months. Commercial loans are still declining, though the total volume of loans and investments of weekly reporting member banks remains stationary. In New York City, the latter total is at the same level as at the beginning of the year, and about $500 millions above the level averaged during the period from March to September. Recent rises in commercial loans in New York City banks, always of uncertain significance at best, have been offset by steady declines outside. Member banks seem to be a bit cautious recently about swelling government security portfolios any more and have begun to buy other bonds.

No change in Reserve policy by way of reducing excess member bank reserves is expected during the rest of this year. Seasonally increasing currency demand will cause some reduction naturally; and the rate of gold inflow is declining. The problem will arise again with the rapid return of currency





after the turn of the year unless in the meantime enlarged stock market credit demand should appear.

Continuation of similar extreme easy money conditions abroad is indicated by the spectacularly speedy oversubscription of the latest British billion dollar 3½% conversion loan last week. Effects of them in the industrial field, as reflected in resumption of financing for the construction of the Cunard superliners, are more prompt and definite than here.

The exchanges have remained fairly quiet except for a sharp seasonal drop in Canadian dollars with approach of the close of the wheat export movement.

Stocks

AFTER touching the October 10 lows during the dull trading of the pre-election week, the stock market rallied sharply on heavier turnover in the last session before election, as a sort of salute to the event which, it was hoped, would end many a weary week of doldrums. The fact that the early October levels were not broken was considered a bullish sign by the astrologers of the Street. But when, after election, the market attempted to pursue the rally to the point of piercing the top-ranges of the October movement, support was lacking and trading relapsed into pre-election indecision. Some effort was made to force a few of the liquor stocks on strength of repeal expectations, but the behavior of the whole market both before and after election is the best indication of the fundamental irrelevancy of the outcome of that event in face of the basic questions of business recovery. On these the market has clearly not yet taken a position, but the trend since early September betrays a slight persistent skepticism.

Bonds

THE bond market behaved a bit better during the pre-election week, but the sagging tendency evident since early October has been disappointing to those who have believed that easy money conditions were bound to make for higher bond prices. To be sure, some shrewd observers say bluntly that the best grade bonds are too high now because existing easy money rates cannot continue in case either of a vigorous business revival which would increase credit demand or of further decline which would freeze confidence. Possibly the prospect of widespread debt readjustments through corporate reorganizations is a depressing influence.

At any rate there is some evidence that surplus funds are finding their way first into the real estate mortgage field rather than into the bond market. Governments, of course, continue fairly steady despite fiscal uncertainties, but largely under support of bank and other institutional investment.

Election mandates may bring as much as $150 millions of new municipal issues on the market, but otherwise the capital market remains in a comatose condition without tangible prospects of any revival of new industrial financing for a long time. Principal factor here is the question of how long and how far federal fiscal needs will preempt the capital supply.

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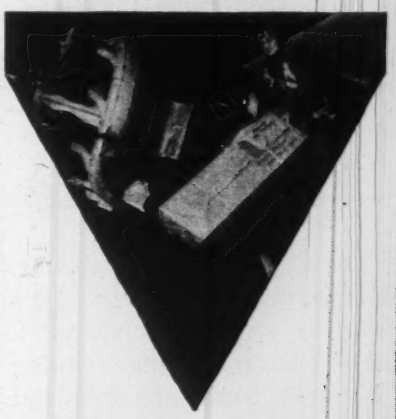

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

NOVEMBER 16, 1932

—And So to Work

THE campaign may or may not have contributed to a better understanding of some of the problems the depression has put to American business; it has contributed nothing to their solution. The problems of business must still be solved by business men plugging away at their own enterprises, individually or in cooperation. There are important decisions of public policy to be made, but Administrations new or old can perform no more miracles for business. The campaign has been an interlude alike in the tasks of individual and collective action. It has suspended individual initiative and diverted individual energy from those tasks. Now that the election is over, the microphones safe from further assault, the political experts and interpreters peacefully put to sleep on their beds of straw ballots for four years more, business must return to its tasks and make up for lost time.

Those tasks are simply terrific yet terrifically simple. In their essential elements they may be summed up in this way: The productive powers of industry in our own and other countries must be restored to their fullest effectiveness in furnishing the goods and services needed to sustain and raise the standard of life of our own and other peoples. Depression is a decline in the production of wealth, a reduction and retreat in the standards of life. There can be no recovery and no restoration of prosperity except through resumption of the most efficient possible production of wealth which the state of our technical knowledge and managerial skill permits. This requires in all circumstances application of the most efficient equipment, the most effective methods of management in the administration of personnel and the most aggressive efforts toward expansion of markets in the production and distribution of old and new products and services. Let there be no illusions on this score. Prosperity can never be restored nor the ravages of depression erased save by the rigorous elimination of waste in every field of industry, trade and finance. But the task does not end at the point of production. The most painful part of the problem of recovery from a depression of this sort remains. Restoration of productive power alone is useless without the restoration of purchasing power, and this is impossible until the problem of public and private debt burdens precipitated by the drastic deflation of prices during this depression is dealt with.

Every effort must of course be made to increase debt-paying capacity, international and domestic; productive power must be improved; obstacles to expansion of trade must be removed or diminished so far as is possible without inducing disturbances of industry and business which undo the benefits. But purchasing power necessary to provide the basis for prosperity cannot be restored so long as productive energy must be devoted largely to the payment of debt burdens that have been unduly swollen by deflation of prices and increase in the value of currencies. Emergence from a depression of this kind is possible only by writing down the currencies or writing down the debts, or both.

In our case apparently the decision has been dictated by the peculiarities of our national temperament and traditions. We can not or will not resort to inflation or revaluation. We have chosen the road of painful, piecemeal readjustment of debt burdens through defaults, receiverships, and reorganizations. The accomplishment of this purpose of revision of the capital structure fairly peacefully, in industry, agriculture, railroad transportation, and international finance, is a task of the utmost delicacy and difficulty. It requires painstaking, clear-headed and conscientious cooperation of creditors and debtors in every field. It will take time, patience, intelligence. But since that is the task we have set ourselves, the sooner it is begun and the more energetically and equitably it is carried through, the better for all concerned.

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